Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	NS3.50	S.Arabia	Rls6.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr8.00
Egypt	E£2.25	Lebanon	$L100.00	Switzerland	SFr2.20
Finland	Fmk7.00	Luxembourg	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Netherlands	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr7.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,285 Wednesday July 15 1987 D 8523 A

Defence: even Gaul cannot be an island, Page 18

World News

'Soviets could rule Europe' warning

The Soviet Union could be able to exert hegemony over Western Europe unless its superiority in conventional armed forces was checked, West German Defence Minister Manfred Woerner said yesterday.

In tough public comments on the super-powers' nuclear disarmament moves, Mr Woerner called on the Soviet Union to show how serious it was about peace by dismantling its "ability to invade" Western Europe. Page 20

Kremlin missiles plan

Moscow could agree to a Nato demand to scrap all medium-range missiles in Asia if Washington reduced its nuclear forces in the Pacific, a Soviet arms control official said.

Karachi bombings

At least 50 people were killed and about 200 were injured when two bombs exploded in Karachi.

Czech enterprise

Czechoslovakia's Communist Party presidium said they would relax restrictions on private enterprise and permit individuals to open small restaurants, pubs and shops.

Punjab protest strike

Bus services throughout the Punjab came to a halt after police shot dead a driver and wounded two others following a traffic incident in Amritsar.

Basques kill two

Basque separatist guerrillas killed two Spanish paramilitary policemen and wounded two others in Onate, Guipuzcoa, with a bomb planted by the side of the road which was detonated as the police drove past.

Hostages released

Moslem rebels freed two kidnapped UN workers in the southern Philippines but one of the released women said that more hostages might be taken.

S. African strike

South Africa's metalworkers' union said it was calling off a strike by 60,000 workers because the Government had declared it illegal. Court hearing, Page 3

Philippines ambush

At least 14 soldiers were killed when communist rebels ambushed troops pursuing them in the northern Philippines.

Seoul TV threat

Nearly 100 journalists at South Korea's second television station called for the resignation of their state-appointed president and threatened a strike if he did not go in 24 hours.

Mozambique toll

Mozambican rebels said they had killed 43 government troops, destroyed three tanks and seized more than eight tonnes of military supplies in battles in southern Mozambique.

Greenpeace plea

The environmental group Greenpeace accused some European countries of failing to enforce rules banning trade in animals and plants in danger of extinction and urged the creation of a new agency to enforce the regulations.

Afghan ceasefire

The Soviet-backed Afghan Government extended a unilateral ceasefire in the nine-year-old war with rebels, offering them several cabinet posts.

Grasshopper riches

Two peasant brothers in South China earned 240,000 yuan ($65,000) by exporting 8m grasshoppers to a bird feed company in Hong Kong. Average pay for a Chinese factory worker is the equivalent of $25 a month.

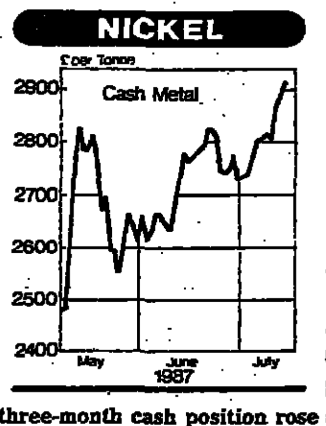
Business Summary

IBM drops to $1.17bn despite rise in revenues

INTERNATIONAL Business Machines, world's largest computer company, saw second-quarter profits drop 9.8 per cent to $1.17 bn despite a 4.3 per cent gain in world revenues to $12.79 bn. Page 21

NICKEL prices continued to rise, reflecting steady demand from consumers and steel mills in a usually quiet period. The three-month cash position rose £30 to £2,937.50 following Monday's £12.50 gain and Friday's rise from £67.50. Commodities, Page 34

NICKEL



WALL STREET: The Dow Jones industrial average closed up 28.38 at 2481.35. Page 44

TOKYO: Trading dwindled further yesterday as investors withdrew from the market and share prices went into a steep decline. Page 44

LONDON: An initial spell of nerves failed to halt the relentless advance in equities. The FT-SE 100 index closed 16.4 higher at a record 2,403.0 and the FT Ordinary index was up 14.8 at a peak of 1,892.6. Gilts had a quietly easier day. Details, Page 40

GOLD rose in London to $447.00 from $446.75. In Zurich it fell to $446.75 from $447.55. Page 32

DOLLAR closed in New York at DM1.853, SFr1.5435, FFr6.165 and Y151.255. In London, it rose to DM 1.8500 (DM 1.8425); SFr 1.5405 (SFr 1.5360); FFr 6.1550 (FFr 6.1325), and Y151.05 (Y150.95). On Bank of England figures the dollar's exchange rate index rose 0.1 to 103.3. Page 33

STERLING fell in London to $1.6105 ($1.6175); SFr 2.4800 (SFr 2.4850); FFr 9.9125 (FFr 9.9200); Y243.25 (Y244.25), but was unchanged at DM 2.9800. The pound's exchange rate index fell 0.1 to 73.0. Page 33

CHEMICAL New York Corp, US money centre bank, reported a net loss of $1.1bn for 1987 second quarter, which included its previously announced addition of $1.1bn to loan loss reserves, primarily to cover troubled Third World loans. Page 21

XEROX Financial Services, insurance and investment arm of the ional stockbroker, in a deal worth $110m in cash over three years. Page 21

HONEYWELL, US automation and electronics group which discontinued its computer business last year as part of a major restructuring, lifted operating net earnings from $43.8m or 97 cents a share to $54.3m or $1.21. Page 21

INTEL, US semiconductor manufacturer, showed record revenues of $439m for the quarter ending June, reflecting a major surge in sales of its personal computer microprocessor chips. Page 21

GENERAL MILLS, US packaged foods and restaurants group, reports a decline in fourth-quarter net earnings from $42.2m or 47 cents a share to $36.1m or 41 cents, reflecting a $8.5m loss from discontinued operations. Page 24

DISPUTES over retrenchments affected operations at South Africa's Randfontein and Western Areas gold mines even more adversely in the June quarter than in the three months to March, but retrenchment payments hav been agreed upon and production return to normal in the final quarter. Page 21

Reagan will break silence in defence of Contra rebels

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan went on the political offensive yesterday in response to Lt. Col. Oliver North's impassioned pleas on behalf of the Contra rebels in Nicaragua saying that he would break his self imposed silence on the congressional hearings and 'stand on the roof and yell' when they are finished.

With Republican members of the investigating committees provoking a confrontation over whether Col. North should be permitted to present a slide show he used to promote the contra cause, President Reagan made it clear that one of the things he would 'yell' about would be his fierce committment to the rebels.

Asked about suggestions by White House officials that the Administration was planning to increase its budget request for Contra aid from $105m to around $140m, Mr Reagan said: 'My position is well known. A disinformation campaign from the Sandinista Government has kept the people from knowing the facts of what is going on in that country, I think the only decent to do is for the American people to continue the aid.' Col. North's testimony over the past week has been damaging to the President to the extent that it has focused national attention on the Iran/Contra scandal and because of the way Col. North has pictured himself as acting on the orders of top presidential aides such as National Security Advisers, Mr Robert McFarlane and Rear Admiral John Poindexter.

But his appeals for the Contras have presented the White House with an opportunity to use Col. North's charisma to press a policy which is dear to Mr Reagan.

The issue of Contra aid is also one around which many Republicans can rally and it is one which divides the Democratic Party on Capitol Hill. The decision by Mr Reagan to speak out on the issue and by the Republicans to focus more attention on it in the hearing room suggests that Mr Reagan and his supporters on Capitol Hill are working together to make the most of the opportunity.

How long Col. North's public popularity will last is an open question. Polls suggest that he has done little to influence public opinion on particular issues-most Americans continue to say they oppose the President's backing for the contras.

However, the efforts the President has made to divert attention from the hearings on Capitol Hill by talking about his so called "Economic Bill of Rights' and budget reform have fallen flat. This is worrying to the White House with Admiral Poindexter, the key witness who met Mr Reagan daily while the Iran /Contra operations were underway posied for his appearance on Capitol Hill.

Mr Marlin Fitzwater, the White House spokesman said yesterday that as soon as the hearings are over Mr reagan will make his views on the hearings known although whether this will be in the form a speech a press conference or a television address has yet to be decided.

Tehran accuses consul of spying

The row simmering between France and Iran for the past two weeks yesterday sparked into open conflict, writes George Graham in Paris. Following the attack on Monday on a French ship in the Gulf, Iran yesterday accused the French consul in Tehran, Mr Jean-Paul Torri, of espionage and of trafficking in drugs, antiquities and foreign exchange.

The French Foreign Ministry denied the claims and accused Iran of 'trying to create a counterweight ' to Mr Wahid Gordji, the Iranian official whose refusal to appear for questioning by French police is at the root of the Franco-Iranian crisis. Mr Gordji is wanted because of his links with Mr Mohammed Mohadjer, who was arrested in Paris in connection with the terrorist bombings in the city last summer.

Mitterrand firm, Page 2

EC resolves deadlock over research budget

BY TIM DICKSON IN BRUSSELS

THE LONG-running row over funding for the joint European Community research programmes finally appears to be over.

Community ambassadors meeting in Brussels last night practically agreed a compromise plan which resolves the deadlock between Britain and other member states over the size of the budget for the framework programme between 1987 and 1991.

Several minor technical details will have to be resolved this morning, but the clear expectation in Brussels last night was that the plan will be formally approved by next week's meeting of EC Foreign Affairs ministers.

The plan negotiated yesterday approves a programme costing Ecu 5.2bn over the five years, or Ecu 417m less than the amount agreed by all other 11 member states in March.

Britain is still formally blocking the addition of that extra money until it is satisfied that the Community's spending is under control. But the clear indication from the accompanying declarations is that this reserve will be lifted by the end of the year.

"The text is a nifty bit of drafting which everyone can look at through their own optic," a senior Community diplomat said last night.

One indication of Britain's willingness to compromise is the fact that the programmes will be drawn up as though the full Ecu 5.6bn budget is available. Officials in Brussels have already been working on this assumption, and projects under the Esprit 2 and Race (broad band telecommunications) programmes are ready for adoption by the Commission.

One of the more important details still to be resolved is the precise wording of references to the future of the EC's joint research centres. Some member states, notably Britain, have expressed concern about their operations, particularly those of the Italian centre at Ispra. Britain and Italy are formally reserving their position on this part of the agreement, but it is widely assumed that they will be lifted today.

No formal agreement on the research programme can be finalised before the European Parliament has been consulted. The parliament has been displaying its anger at the British position by refusing to give its formal opinion on three key research programmes until September.

Variety In Splice of Life Finds Reed All About It

BY STEPHEN BUTLER IN LONDON

REED International, the big UK paper and publishing group, is to become parent company to the "bible" of the US entertainment industry, Variety magazine, after agreement to purchase the publication through its US subsidiary, Cahners Publishing Company.

For 82 years Variety has reigned as the authoritative professional guide to the US movie industry, making an extraordinary contribution to the American language in famous headlines such as "Sticks Nix Hick Pix" (English translation: people in rural area do not like to see movies about themselves), or "Wall Street Lays an Egg," as the definitive critique of the 1929 stock market crash.

Variety is the author of "disk jockey," "freeloader," and "whodunit." Variety also reports on the television, cable and music industries.

Mr Syd Silverman, publisher and grandson of Mr Sime Silverman, who founded the magazine, denied yesterday that he was selling out the family business.

"I see it as a merger with Cahners," he said. "We are putting the paper under a corporate umbrella that has a lot of resources." Mr Silverman will stay on as editor and publisher, with a five-year service contract, along with three of his children who work for the magazine.

Mr Walter Cahners, Cahners vice-president for corporate development, said that Cahners had no intention to tamper with the formula that had made Variety a success, but that Variety would benefit operationally through access to Cahner's research, forecasting and other capabilities.

Mr Peter Davis, Reed chief executive, said yesterday that Variety was attracted to the group in part because Reed had no film or record company that would compromise Variety's journalistic independence.

"We see interesting opportunities to develop (the business) further," said Mr Davis, pointing to potential growth in overseas markets or in spin-off publications.

Cahner's is a large publisher of trade magazines, including Publisher's Weekly, Professional Builder, Design News and American Baby, with 52 titles in all. Mr Cahner said that new launches or other acquisitions of publications in the entertainment field would come in the next six months.

Variety has two publications, a daily newspaper in California with a paid circulation above 22,000 and a weekly published in New York with a circulation over 33,000. Annual revenues are in excess of $32.3m.

A letter of intent for the acquisition was signed on Monday, with completion expected by the end of the summer. Financial details have not been disclosed.

Midland in talks for sale of equities business

By David Lascelles and Clive Wolman in London

MIDLAND BANK is negotiating with a possible buyer for its institutional equities business. The bank declined to name the buyer yesterday, but identified it as a foreign investment bank with a strong presence in the international capital markets.

If successful, the deal would mark a further step in Midland's retreat from active involvement in the equity markets, as well as the policy of its new chairman, Sir Kit McMahon, of selling non-essential or poor performing businesses.

A Midland spokesman said that the offer was unsolicited but "we are taking it seriously".

A result to the negotiations was expected in a matter of days. The sale was not linked to last week's £1bn ($1.61bn) package of sales and rights issue to raise cash and finance provisions against Third World loans, he said.

The business is part of Midland Montagu, the investment banking division created by Midland last year out of W. Greenwell & Co, the stockbroking firm which it acquired for the Big Bang. Samuel Montagu, its merchant banking and capital markets arm, and its treasury division.

The proposed sale does not include either Greenwell's gilt-edged business, which is now operating successfully as a separate subsidiary, or its private client business which is being managed as part of Midland Bank.

The operation employs about 230 people, and engages in agency business, research and corporate finance. It has about three per cent of the London agency market in equities, and is noted for the quality of its research in banking and financial stocks.

Although it has made an effort to increase its commission income, it is operating at a loss. The scope of the operation was truncated by Midland's decision in February to pull out of equity market-making, a move which signalled the bank's early disenchantment with equities and marked it out as Big Bang's first casualty.

Unlike the other parts of Greenwell's business which have been consolidated with Midland's other investment banking operations in newCity of London quarters in Lower Thames Street, the equity business remains in Greenwell's old offices in Bread Street, and could therefore be separated quite easily.

Mr Keith Brown, the managing director of the equity business, said last night that he wel-

Continued on Page 20
Capital markets, Page 24

US deficit forecast to rise to $198bn

BY STEWART FLEMING IN WASHINGTON AND ROD ORAM IN NEW YORK

THE US federal budget deficit will rise to $198bn in 1989 because of weaker-than-expected tax revenues, higher interest rates and inflation, the Congressional Budget Office predicted in Washington yesterday - reversing earlier projections of declining deficits.

The estimate was released on the eve of the Senate debate on the Federal Government debt ceiling. The higher forecast is expected to increase political pressure to cut the deficit by reforming the Gramm-Rudman Hollings budget law. Gramm-Rudman set targets for reducing the deficit but a key part of it was struck down last year as unconstitutional.

The CBO, the bi-partisan agency which provides Capitol Hill with analysis on the federal budget, had earlier predicted a deficit of $164bn for fiscal 1989.

The office projected a deficit of $161bn this year and the projection for 1988 is now $181bn compared with a target of $108bn under the Gramm-Rudman deficit-reduction plan.

The efforts to revive Gramm-Rudman take place against the background of the need to raise the Federal Government's debt ceiling.

The Federal Government's authority to issue new debt expires on Friday although the Treasury is believed to have enough funds on hand to continue to finance government operations until the end of the month.

Some on Capitol Hill expect Congress to approve another temporary debt ceiling extension.

Concern over the deficit has been one of the factors worrying the markets in recent weeks as they have also been contending with Congress's tardiness in increasing the Federal Government's debt ceiling.

The Treasury is expected to cancel next week's bill auction and possibly the one scheduled for the following week. The increasing scarcity value of the bills has brought a small reduction in their yields.

Investors' fears of a sharp rise in inflation have abated but have not disappeared as markets try to assess the effect of the rise in oil prices to their highest levels in 18 months.

The dollar has enjoyed a relatively robust period but the markets believe it could be shaken if, for example, trade deficit figures for May, to be released today, fail to show an improvement.

On the positive side, the Fed Funds (or overnight interbank) rate has slipped to about 6½ per cent. This and other marginal improvements in factors affecting banks' cost of funds has led to some speculation of a prime rate cut from the current 8¼ per cent. But the case is not yet clear cut enough to guarantee a reduction in the near future.

The uncertainty about the outlook for interest rates is compounded by recent mixed economic data.

Yesterday, the Commerce Department reported a much more sluggish than expected 0.4 per cent rise in retail sales in June adding that without a rise in car sales, retail sales would not have risen at all.

Letter to Alan Greenspan, Page 19

Brazil criticised over debt move

BY IVO DAWNAY IN RIO DE JANEIRO

A KEY drafting committee for Brazil's new constitution has voted by an overwhelming majority to prevent any conversion of the country's $113bn foreign debt into capital investment - a scheme long considered to be a central plank of the forthcoming debt negotiations.

While the move is widely expected to be overruled in the plenary session of the constitutional assembly later this year, it has provoked despair among foreign bankers.

Mr Luiz Carlos Bresser Pereira, the Finance Minister, is expected to use all his powers to fight the decision. But bankers in Brazil claimed yesterday that the vote had already served to underline the potential obstacles that the country's hardline nationalists could throw up for the debt-equity swap option.

"The move is very negative, and it illustrates the prevailing mentality," one senior foreign banker said. "Even if it does get thrown out, there will always be termites working in the bureaucracy creating obstructions."

The authoritative Rio de Janeiro newspaper, Jornal do Brasil, also scathingly attacked the decision yesterday in an editorial headed, "Stop this nonsense." It condemned the vote as

Continued on Page 20

CONTENTS

TURNING THE TIDE OF US-EUROPE WEAPONS TRADE

Increased competitiveness and a change in US attitude have brought a bonanza for foreign arms manufacturers. Page 4

Britain spells out chemical arms ban programme

BY WILLIAM DULLFORCE IN GENEVA

BRITAIN YESTERDAY presented a detailed programme to make sure that a global ban on chemical weapons can be implemented swifty and efficiently.

The plan would provide a framework for translating good intentions into effective action, *Mr David Mellor, the Minister* of State at the Foreign Office, told the 40-nation UN conference on disarmament in Geneva.

Work should start immediately *within the conference on* the establishment of a technical secretariat and on the recruitment and training of inspectors to supervise the destruction of the chemical weapons *as well* as of their production plants, Britain suggested.

Countries signing the convention, already partially drafted, would undertake to destroy all their chemical arms within 10 years and to start the process not later than 12 months after the convention comes into force.

Britain's proposals aim at ensuring that adequate techno logy for verifying compliance with the convention was in place, Mr Mellor said. They would help create the crucial confidence needed to bring the convention into being.

In the past six moths Soviet *anouncemets of readiness* to disclose stocks and on acceptance of an inspection system to prevent cheating have pushed the negotiations forward.

Two outstanding obstacles remained to be cleared, Mr Mellor said. *These were to determine* the degree of inspection of civil chemical production required and to settle the terms under which a country *could exercise its right to inspect* another country's plants on challenge.

Britain has changed its mind on one point. It now believes that *before coming into force*, a chemical weapons convention should be ratified by at least 60 countries, instead of 30 as it proposed earlier.

If the number were not increased, some states could fear that their action in relinquishing chemical arms might not be reciprocated by others, the British believe. Another condition might be the need to include all states which had declared possession of chemical weapons, they suggest.

The British paper goes into great detail on the size of the *inspectorate*, its initial task, the training of its staff and the procurement of equipment to enable them *to carry out* effective verification.

At least 60 inspectors and perhaps 120 *support staff* in the technical *secretariat would* be needed to get the convention off to an effective start, the British estimate.

CHINESE EXAMPLE COULD BENEFIT AGRICULTURE, SAYS ABALKIN

Senior Soviet economist presses for family farms

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION has a lot to learn from Chinese *reforms* in developing its agriculture, according to Dr Leonid Abalkin, head of the Economics Institute in Moscow and one of the *country's* most *influential* reform economists.

He said yesterday that the introduction of the family farm in China had quickly produced high levels of agricultural growth. In the Soviet Union "we should energetically encourage the development of the family form of labour."

Soviet agriculture has long been a drag on the rest of the economy, consuming one third of investment but producing *very low growth* since the early 1970s.

Dr Abalkin stressed that families working at least in part on their own account would *still be within the framework* of the collective farms. In China the communes were largely dissolved and replaced with small scale family farms.

Other Soviet economists have *stressed* that *economic reforms* in other Socialist countries such as Hungary, Czechoslovakia and China have all begun with changes in the agricultural system. *This* produces an important bonus by meeting the consumer demand in the cities without increased state investment.

Up to a year ago, the Soviet Union made little mention of the economic reforms in China which more than doubled per *capita farm income* between 1978 and 1984. Dr Abalkin said that after a visit there in May he concluded that the introduction of family farms could produce a *single spectacular burst* of growth, but that small unit farming soon exhausted this potential.

Nevertheless, a rapid surge in the growth rates for agriculture and services through greater use of market mechanisms would be extremely useful for Mr Mikhail Gorbachev, the Soviet leader, because the reform of industry is not likely to produce benefits until the early 1990s. The Government needs to meet consumer needs and provide incentives during the intervening period.

Dr Abalkin confirmed that a reform of the price system, considered the key element in reforms, will take two or three years. Also crucial for the reforms will be the publication of eleven studies before the end of 1987 on the role of central economic bodies such as Gosplan (the State Planning Committee), and the Council of Ministers which currently administer the economy.

The Government also plans to introduce a law defining the rights of co-operatives, including co-operative farms. These in the past have been voluntary associations only in name, with all officials appointed from above. The aim is to allow small workshops or co-operative organisations to be set up to provide more services. "I think co-operatives will develop fast this year and next," Dr Abalkin said.

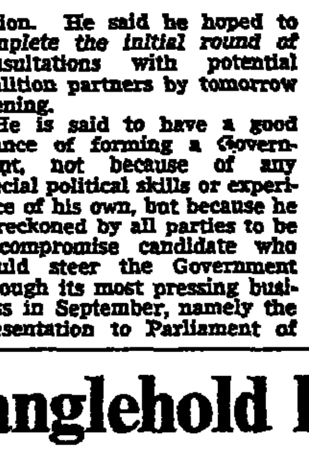
Initially the implementation of the reforms will be overseen by Gosplan, which itself it to be reorganised as part of the changes. Dr Abalkin said that the current mood in the Soviet Union was against creating a new administrative body responsible for implementation of reforms because in the past they had been bogged down by creating organisational structures.

Meanwhile, Soviet industrial output rose by 3.5 per cent in the first six months of the year, according to the Central Statistics Board. Officials say that the failure to meet the target of 4.4 per cent for the year is explained by poor growth in the first quarter of the year as a result of introduction of quality control and bad weather.

The Soviet energy industries, such as oil, gas and coal, are performing better under Mr Gorbachev as a result of higher investment and improved management. But the engineering industries, where the Kremlin is anxious to improve quality and quantity, have been very slow to respond to increased investment.

Mr Viktor Grishin (right), a former aide to the late President Leonid Brezhnev, and in political disgrace, has been *dropped* as a parliamentary deputy, his last remaining public post, the official Soviet news agency Tass said yesterday, Reuter reports from Washington.

Mr Grishin, 72, the former leader of the Moscow city Communist party, was a member of the politburo from 1971 to February last year. He gave up his post as a deputy in the Supreme Soviet (parliament) "at his own request," Tass said.



W German industrial orders up

By Haig Simonian in Frankfurt

WEST GERMAN industrial order levels were "again lively" in May, despite the fall in new orders for manufacturing industry compared *with the sharp rise in April*, says the Bundesbank in its latest monthly report for July.

Overall, the central bank puts a slightly brighter face on the present state of the West German economy than many analysts, the most bearish of whom doubt that GNP growth will much exceed 1 per cent this year.

Taking April and May *together* to *smooth* out erratic movements, orders for industrial products rose by 2.5 per cent against the first quarter of 1987 and were also higher than in the last three months of 1986, says the Bundesbank.

Higher foreign demand largely accounted for the increased order levels in April and May. Foreign orders, seasonally adjusted, were 4.5 per cent ahead of their level in the first quarter of 1987, it says. Foreign demand for West German industrial goods focused on capital *equipment* and *motor* vehicles in particular.

However, demand from abroad was about 3 per cent *down in* value terms and around 2.5 per cent lower in volume terms than in the same two months last year.

Domestic demand in April-May increased by about 2.5 per cent, seasonally-adjusted, compared with the first quarter of 1987, with motor *vehicles again being in heavy* demand. But domestic demand in April-May was some 4 per cent below the figure for the same period last year.

The outlook for employment remains mixed, says the Bundesbank. Numbers in work in May rose by some 180,000 to 25.94m, or some 0.7 per cent above the figure for the same month last year.

Unemployment, however, *has risen as the number of* jobs on offer has not managed to keep pace with the growth in the labour market. The numbers of registered *unemployed in June* increased by a seasonally-adjusted 20,000 to 2.24m, representing 7.9 per cent of the total workforce.

● The index of prices for industrial products rose in June by 0.1 per cent against the previous month, *according to figures from the federal* statistics office. However, West German industrial product prices remain some 2.7 per cent below their level a year ago.

Goria casts around for Italian coalition

BY ALAN FRIEDMAN IN MILAN

MR GIOVANNI GORIA, Italy's *43-year-old* Christian Democrat Prime *Minister-designate*, will begin a lightning round of political consultations this afternoon to see if he can form the country's 47th post-war Government. In Rome, it is already being said that the Government which might result is unlikely to last long.

Mr Goria, who has been Treasury Minister since December 1982, was asked on Monday evening to form a government by President Francesco Cossiga. This was an attempt by the President to break the political impasse which *has seen* frequent exchanges of insults and continued conflict between the Socialist Party leader, Mr Bettino Craxi, and the Christian Democrat chief, Mr Ciriaco De Mita—before, during, and in the wake *of* last month's general election.

Mr Goria, who was on holiday in Parma when he received the summons to Rome, yesterday still appeared somewhat *stunned* by the President's action. He said he hoped to *complete the initial round of* consultations with potential coalition partners by tomorrow evening.

He is said to have a good chance of forming a Government, not because of any special political skills or experience of his own, but because he is reckoned by all parties to be a compromise candidate who would steer the Government through its most pressing business in September, namely the presentation to Parliament of the 1988 budget.

The betting is that he may well succeed in cobbling together a coalition (which is *likely to* include *most of* the members of the former five-party Government of Christian Democrats, Socialists, Republicans, Social Democrats and Liberals). But this is mainly because Mr Craxi and Mr De Mita are prepared for an interim truce before they plunge Italy into another period of political instability later this year.

Portugal's trade gap widens

By Diana Smith in Lisbon

PORTUGAL'S TRADE gap *widened* by 33.3 per cent in May compared with a year earlier, according to the National Institute of Statistics.

January-May imports increased by 23.8 per cent to Es 709bn (£3bn) while exports grew by 18.5 per cent to Es 504.2bn (£2.2bn). The *widening trade gap* was largely due to the effects of European Community membership and a marked increase in the deficit with EC partners.

This deficit soared in January-May to Es 101.2bn this year, compared to Es 33.6bn in the first five months of 1986, before *the real impact of membership* had begun to make itself felt.

Nevertheless, although the trade gap with the Community is widening, Portuguese exports to its EC partners are still dynamic enough to ensure coverage by imports of exports of 78.1 per cent (compared with 89 per cent at this time last year), and to afford trade surpluses with Britain and Denmark in particular.

The most powerful increases in imports from Community partners have come from Italy, Spain and West Germany. The latter doubled exports to Portugal in the first five months to Es 27bn, while Spanish exports are more than 100 per cent greater than they were in 1986. However, Portuguese exports to Spain have increased by 106 per cent, suggesting that Portuguese manufacturers have not been passive in the face of the Spanish "invasion."

The surge in EC imports, after a period when Portugal enjoyed either balanced trade or sizeable surpluses with most *of the Ten, has been softened* by the spectacular increase in investment by other Community nations. This is especially true of Spain whose investment has grown by 500 per cent in one year.

The aggressive response of Portuguese manufacturers to Community membership has surprised many who thought the country's industrial base as too weak to react rapidly. An increase of 80 per cent in exports *to OECD countries in January*-May suggest that Portugal's exporters are successfully using strong EC competition as an incentive to sell their products further afield.

Moscow makes tepid reply to Nato's CSCE proposals

THE SOVIET UNION said yesterday that a *long-awaited Western proposal on disarma*ment at the European Security conference had serious failings, but said it formed a basis for negotiation, Reuter reports from Vienna.

Mr Yuri Kashlev, the Soviet ambassador, told a news conference the Western proposal presented last week "could result in simply freezing force levels in Europe. This is insufficient. We propose drastic reductions." But the presenta*tion of the Western proposal* meant "a basis has been created for drafting the military-political section of the concluding document of the Vienna meeting."

The Vienna Conference on Security and Co-operation in Europe (CSCE) follow-up meeting, which began last November, is expected to end late this year.

The 16 members of Nato last Friday proposed two disarmament forums—a second phase of the 35-state Stockholm conference that agreed last Sep*tember on military* confidence-building measures, and separate talks between the 23 Nato and Warsaw Pact members on "conventional stability." The second conference, which would be linked with the 35-nation CSCE process, would involve substantial talks on arms levels.

The East Bloc had earlier proposed a single forum on both aspects of disarmament firmly within the CSCE process.

Mr Kashlev noted the Western proposal did not talk of actual disarmament, and that it excluded tactical nuclear weapons, which the Communist states want inluded.

"The question comes inevitably to mind whether behind this formula there is a desire to escape radical cuts in armed forces and armaments in Europe and to exclude the issue of tactical nuclear weapons from consideration in the talks," he said.

Mitterrand firm on Iran case

PRESIDENT Francois Mitterrand yesterday took a firm stand over an Iranian who has taken refuge in Tehran's embassy in Paris, saying that he must answer police questions about bomb attacks in Paris last year, Reuter reports from Paris.

But he insisted during a *wide-ranging television inter*view following the annual Bastille Day military parade, that France, which played host to Iranian spiritual leader *Ayatollah Ruhollah Khomeini* in the run-up to the 1979 revolution in Iran, still sought to normalise relations with Tehran.

Asked about the standoff between Paris and Tehran, he said: "What is important is that France feels it is necessary to question this Iranian because he is suspected of having taken part in terrorist acts in France.

"The law is the law and an Iranian just as any other must submit to it."

Relations between France and Iran have been increasingly *strained since late June when* Vahid Gordji, suspected by French police of being Iran's head of intelligence in France, took refuge in Tehran's Paris embassy.

Asked about proposals for the creation of a European army under a single command, Mr Mitterrand said it was desirable but that political unity within Europe was essential before military unity was possible.

"The creation of the European Economic Community has already meant a great step so that Europe can begin to exist as a political entity," he said.

He reiterated France's opposition to joining Nato's unified military command. "I am totally in favour of the creation of Franco-German units . . . on *condition of course that this* army, that French soldiers, do not enter the unified command, that they do not come under a command from outside Europe within the Nato *framework*."

Mutual stranglehold helps keep Turkey and Syria talking

BY DAVID BARCHARD IN ANKARA AND ANDREW GOWERS IN LONDON

TURKEY'S PRIME Minister, Mr Turgut Ozal, today begins the first-ever official visit to Damascus by a Turkish leader.

The visit, returning a trip to Ankara last year by his Syrian *opposite number, Mr Abdulrauf* al-Kassem, is taking place despite strong indications that the US and some moderate Arab countries, notably Egypt, disapprove.

Sections of Turkey's security services are also believed unhappy at seeing Mr Ozal talking with the Syrians. There have been strong indications over the past year that Syria was behind acts of terrorism carried out by Arab nationals in Turkey.

After decades when relations were deadlocked over Syria's claim to the Turkish province of Hatay (Antioch), which Turkey annexed after a plebiscite on the eve of the Second World War, a steady flow of negotiations has got under way.

Basically, the dialogue seems to derive from the fact that each country is holding the other by the throat. Turkey's series of dams on the Euphrates are *worrying Syria and, even more*, Iraq. Both fear that water levels will be reduced further downstream. When the Ataturk High Dam is completed in 1992, it will irrigate 720,000 hectares of the Turkish Mesopotamian plains around Urfa.

Officials of the Turkish State Waterworks say that up to a third of the water will be taken from the river for irrigation but they are taking care not to disrupt its flow. Any problem for countries further along the river's course should only be minor and temporary, they insist.

However, the Turks will obviously have the power to regulate the river's flow, and thereby affect the lives of millions of farmers in Syria and Iraq. The Syrians are particularly worried about the effect on water levels at their Assad Dam on the Euphrates. The Soviet-installed turbines there used to provide up to half the country's electricity needs, but they have been running well below capacity—largely, it is thought, because of reduced water levels. Damascus and other big cities are having to contend with regular power cuts.

Syria's strong card vis-a-vis the Turks, and the reason why Mr Ozal appears to be willing to go to any lengths not to *offend Damascus, is its power* to control the activities of anti-Turkish terrorist groups on its soil. According to foreign diplomats here, Syria gave substantial support to Armenian terrorist groups in the early 1980s.

Much more important to Turkey, however, is the presence in Damascus (for the first time officially admitted by the Syrian authorities this week) of Mr Abdullah Ocalan, the founder and commander in chief of the PKK or Workers Party of Kurdistan — the organisation which has cost Turkey more than 450 lives in a three-year-old guerrilla war in the southeast of the country.

Recent PKK attacks have mostly been in the low *hill* country north of the Syrian border. Turkey claims, though some western diplomats privately doubt it, that the guerrillas are crossing from Syria: Damascus says Mr Ocalan is not permitted to engage in any political or military activity against Turkey and is simply a political refugee.

However, the Syrians can (and in the Turkish view should) do more to control their 877km-long common border. In private, well-placed Syrians have been known to draw a direct link between the Euphrates water supplies and Kurdish activities on Syrian soil.

Turkey seems to believe that a deal with Syria is possible *and that it would tip the scales* in its favour in the struggle against the PKK. However, it is also interested in helping to restore peace in the Middle East. Turkey has good relations all over the region. It would not be surprising if Mr Ozal, who recently acted as host in Ankara to Mr Hussein Moussavi, Iran's Prime Minister, nevertheless tries to persuade the Syrians of their common regional interests with Iraq and *Turkey—interests which would* be fostered by the ending of the Gulf War.

Commission fines Sandoz over ban on re-exports

BY TIM DICKSON IN BRUSSELS

SANDOZ Prodotti Farmaceutici, the Italian subsidiary of the Swiss pharmaceuticals group Sandoz, has been *fined* Ecu 800,000 (£560,000) by the European Commission for in effect imposing an export ban on its customers.

The decision, announced in Brussels yesterday, makes clear that the use of invoices bearing the words "not for re-export" is contrary to Article 85(1) of the Treaty of Rome.

Among other things, this prohibits as incompatible with the common market "all agreements between undertakings... which may affect trade between member states and which have as their object or effect the prevention, restriction, or distortion of competition."

Export bans have frequently been declared illegal by European Court of Justice over the past 20 years, but a senior Commission official commented yesterday: "We still quite often find them in the contracts of companies."

Commenting on the Italian case the Commission notes that the pharmaceuticals market in Italy is characterised by low prices *which are fixed by the* state. Since the creation of the European Community, it explains, there has been a "constant flow" of parallel exports *into high-price* countries which manufacturers have attempted to prevent.

Although no written contract exists between Sandoz and its customers, the Commission contends that the words "export prohibited" printed on the invoices must be considered an export ban clause. "The continual use of such invoices is likely to have the effect of discouraging the customers, less aware of Community law, from exporting Sandoz products," it says.

A second aspect of the case related to Sandoz's practice of "quite often" reducing the quantities ordered by its clients to their "normal demand." The Commission, however, could not find sufficient evidence to suggest that *this* was done to *prevent parallel trading*.

Dutch to ease spending curbs

BY LAURA RAUN IN THE HAGUE

THE DUTCH cabinet has drafted the broad outlines of next year's budget, the most expansionary fiscal blueprint *since Mr Rudd Lubbers' centre*-right coalition took office in 1982.

Public spending will be trimmed by only Fl 3bn (£895m), the most modest cut in six years, and leave the budget deficit at 7.3 per cent of net national income under the draft proposal agreed in the *early hours of yesterday. The* budget gap is higher than originally planned by the Christian *Democrat-Liberal coalition* but lower than this year's 7.8 per cent.

A stagnant economy and general weariness with economic austerity convinced the Government to relax the severe *fiscal policies of recent years.* The economy is expected to show no growth next year under the pressure of *sluggish* world trade and rising taxes and social security premiums.

Eta landmine kills two

By Tom Burns in Madrid

THE BASQUE separatist organisation, Eta, stepped up its summer offensive yesterday with a landmine attack against a Civil Guard vehicle on patrol in the region which killed two guardsmen and injured two more.

Terrorist incidents in the past month have included a supermarket bomb in Barcelona which killed 19, a grenade attack against the military headquarters in San Sebastien, and explosions in a gas storage tank near Vitoria and a petrol refinery near Tarragona, which caused *considerable damage*.

Last week, police arrested two Eta members in Saragossa who allegedly were planning a bombing campaign in the tourist *resorts of southern* Spain.

Italy tries again to piece together puzzle of downed DC9

BY JOHN WYLES IN ROME

AT 8.59 pm on June 27 1980, a DC9 operated by the now-defunct Italian domestic airline, Itavia, apparently fell out of the sky into the seas around the *island of Ustica, 50 miles or* so to the north of Sicily. All 77 passengers and four crew aboard died instantly. Only 39 bodies were recovered and very little of the aircraft save for the nose-cone.

Very few air disasters go unexplained and even fewer remain a mystery seven years after the event. In the Ustica case, the absence of the black box flight recorder and the paucity of wreckage until now have given *investigators* very little to go on.

Speculation on the fate of flight 1H 870 from Bologna to Palermo has embraced the activities of the French navy and air force, right-wing terrorists and Col Gadaffi's Libya. Most of those interested in the tragedy believe that somebody, somewhere is covering up the truth.

*Prompted by continued plead*ing from relatives of the dead, Italian President Francesco Cossiga last summer urged the Government to put more vigour *into the investigations*. This spring, Ifremer, the Toulon-based specialist in marine investigation and recovery which found and photographed the hulk of the Titanic, was commissioned to search for the wreckage.

In much less time than expected, the company reported at the end of April that it had located the DC9, lying 3,620m down on the seabed and much of it scattered in small pieces.

In June, Ifremer located and recovered the aircraft's flight recorder. Despite seven years underwater, the tapes were undamaged and are now being examined by US and Italian experts. It is hoped they will help answer the question: was the Itavia DC9 shot down on that summer's evening?

The notion remains shocking, even if the Soviet destruction

in 1983 of the Korean Airlines Boeing 747 which had strayed into Russian airspace demonstrated its plausibility.

But the skies to the north of Sicily are not those of a potentially hostile power and are crossed daily by dozens of aircraft. The relatives of the dead have a right to an explanation *for the Ustica tragedy and the* international travelling public needs an assurance that flying in and around Italy involves no unusual perils.

The theory that the Itavia aircraft was shot down was based first on the discovery of traces of the explosive T4 in the corpses and scraps of wreckage which were recovered. T4, it is said, is widely used as missile explosive. Onlv examination of the wreckage will prove conclusively the theory of an external blast.

But it will not answer why or by whom. The last recorded words from the DC9 pilot were heavy *with sad irony*. Below him he repotred seeing many lights, "like the lights of a cemetery." Perhaps he was referring to the presence beneath of a French naval exercise. Perhaps his aircraft was shot down by some tragic accident during this exercise?

The French authorities broke their silence on the subject only last autumn with a statement to the effect that the aircraft carrier Clemenceau had returned to Toulon at dawn on June 27, that the aircraft stationed on the carrier had returned to France the evening before and that the explosive T4 was not employed in French anti-aircraft missiles.

But an explanation for the Ustica mystery had begun to focus long before on the wreckage of a MiG 23 of the Libyan airforce found in the Calabrian hills near *Sila* on July 18 1980. The initial Libyan account was that the pilot, one Ezzedin Koal, had been taken ill at the controls before the crash. But *it* offered no explanation as to why the Libyan jet should have been in Italian airspace in the first place.

Suspicions of a cover-up over the involvment of this MiG have been partly based on the fact that the wreckage was apparently returned to Libya without any *prior* examination by the Italian authorities. There is also good reason to suggest that the *MiG* did not crash, as officially claimed, on July 18 but, possibly, 20 days before at the time of the loss of the DC9.

Italian doctors who carried out the post-mortem on the MiG's pilot have confirmed publicly on more than one occasion that the body was in an advanced state of decomposition.

Lawyers representing the families of the victims believe that the Italian secret services *know the truth about the MiG*. The La Repubblica newspaper recently carried a report that an internal document explained that the Libyan pilot was defecting in one of the most advanced MiGs supplied to Libya and that two pursuing aircraft shot down the DC9 by accident and the MiG by *design*.

Examination of the radar tapes from the Ciampino air traffic control centre south of Rome by experts at the US National Transportation Safety Board has identified another aircraft moving from west to east across the DC9's flight path.

Colonel Gadaffi's Libyan enemies have recently claimed that the attack on the DC9 was no accident. Mr Abdel Amid Bakkush, leader of the Libyan opposition in exile, claimed in a magazine interview recently that it was ordered by the Libyan leader in retaliation for the arrest by the Italian authorities of an assassination squad sent to extinguish prominent exiles in Italy.

Clearly there are *pieces* in this puzzle which can be made to fit together in such a way as to embarrass not just the Italian secret service but also Italy's carefully preserved relationship with the former Italian colony, Libya.

The mystery will never be unravelled by *speculation* and uncorroborated claims. For the moment, as former prime minister Bettino Craxi's right hand man, Giuliano Amato, said so pointedly in his last public understatement on the subject, "someone is being reticent."

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R. A. F. McClean, G. T. S. Damer, M. C. Gorman, D. E. P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: D. Albino, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1987.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

S African metal dispute moves to the courts

BY ANTHONY ROBINSON IN JOHANNESBURG

THE NATIONAL Union of Metalworkers, South Africa's largest black engineering union, yesterday advised its members to return to work pending the outcome of a legal battle to obtain a Supreme Court interdict.

This is being sought in an attempt to overule a government notice which, in effect, made the strike illegal only an hour after it began yesterday morning.

The last-minute move by the Minister of Manpower to extend a 1986 wage agreement for the metal and engineering industry by a decree published in the Official Gazette created enormous confusion yesterday as an estimated 50,000 Numsa members went on strike in steel and engineering plants around the country.

The action was decided on after a strike ballot last week which showed strong support for a strike and the union's rejection of the engineering industry's offer of an average 14 per cent higher pay for the year starting July 1.

Union officials fear that continuing what has become an illegal strike would provide management with a chance to weed out union militants and weaken the new union which was formed three months after the merger of seven engineering and motor unions. The strike will be resumed, however, if the Supreme Court grants the interdict.

The latest move in the engineering dispute came only hours after the National Union of Mineworkers had announced that 95 per cent of its members at 27 gold and 18 coal mines had voted for strike action.

The date of the strike has not been revealed but mining industry sources expect it to begin within the next two weeks. The union is pressing for a 30 per cent across-the-board wage increase against the 17 to 23 per cent offered by the Chamber of Mines.

South Africa's two biggest and most powerful black trade unions are both members of the Congress of South African Trade Unions which starts its annual congress today at Witwatersrand University. The congress is expected to underline its determination to press for wider political reforms.

Prices soar in New Zealand

By Dai Hayward in Wellington

THE NEW ZEALAND Labour Government's election campaign received a severe setback with the announcement last night that inflation was running at a record annual rate of 18.9 per cent in the second quarter of this year. The previous year-on-year quarterly rates were 18.3 per cent and 18.2 per cent.

The Consumer Price Index rose 3.2 per cent during the quarter—half of this coming from increases in mortgage interest rates.

The latest figure is the highest inflation level since the Consumer Price Index was introduced in 1914. It caught the money market by surprise.

Experts had been predicting a quarterly CPI increase of between 1.9 per cent and 2.5 per cent. The New Zealand dollar dropped several points, share prices fell and the government stock rates moved up several points.

A drop in bank interest rates last week had been hailed by the Government as a sign that inflation and interest rates were at last on the way down and that the Government's harsh economic policies were starting to work.

Hawke to streamline bureaucracy

By Chris Sherwell in Sydney

AUSTRALIA'S Federal bureaucracy is to be streamlined under a government reorganisation announced yesterday by Mr Bob Hawke, the Prime Minister.

His announcement follows quickly after the Labor Party's return to office in last Saturday's election — an election in which the size of government was an issue.

Although the proposed amalgamation of departments and reshuffle of certain functions will save A$96m (£42m) and lose 3,000 jobs, no departments are being abolished outright.

The effect at the political level, moreover, will be to create 30 ministerial posts where previously there were 27. Sixteen of these will be in Cabinet. The remainder will form a second tier.

One convenient result is that Mr Hawke will find it easier to accommodate demands for ministerial positions from different factions and backbenchers within the parliamentary Labor party.

The most significant amalgamations include the Ministry of Foreign Affairs with the Ministry of Trade, the Ministry of Primary Industry with the Ministry of Energy and Natural Resources, and the Ministry of Aviation and Transport, with the Ministry of Communications.

Philippine military probes leak about coup attempt

BY RICHARD GOURLAY IN MANILA

TOP MILITARY officers are anxiously trying to trace the source of an intelligence report about an aborted coup against President Corazon Aquino's Government which was leaked last weekend to the press. Access to the report should have been limited to the intelligence services and Malacanang Palace where Mrs Aquino holds office.

Yesterday a second officer was arrested in two days although unofficial military reports said five officers up to the rank of major have now been "invited for questioning."

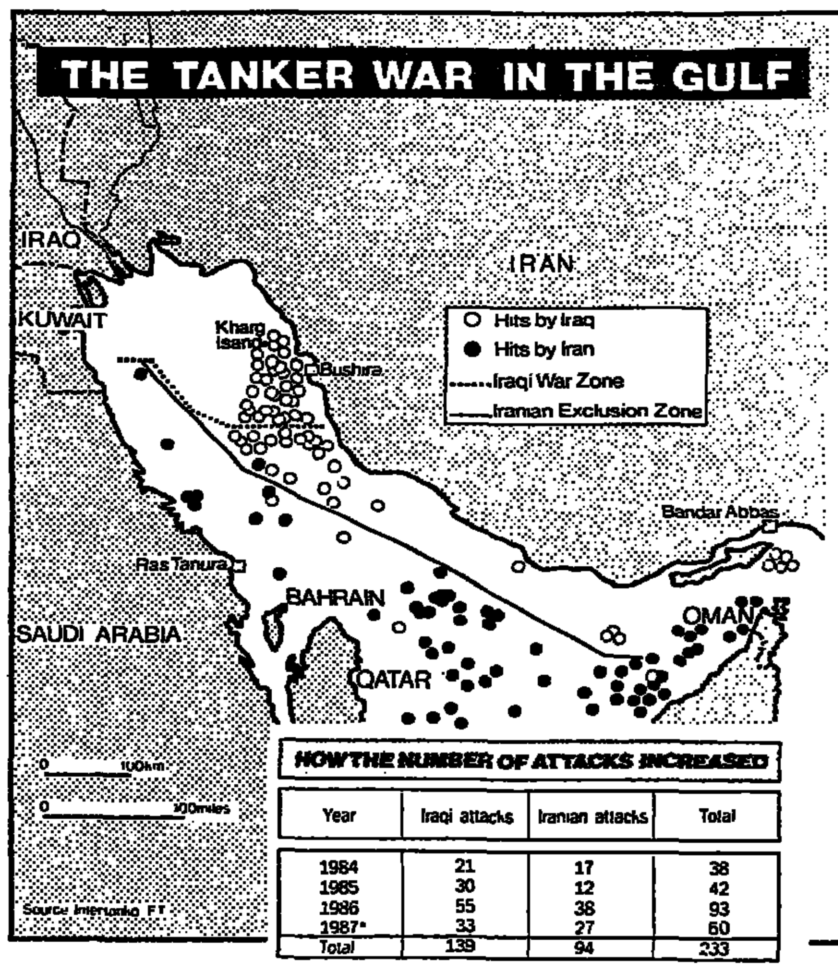
The aborted coup plan involved the taking of hostages at Manila's international airport and a helicopter gunship assault on a neighbouring airbase. It was postponed from late last month and then again till mid-July because the plotters could only raise 100 men to support it, the intelligence report said.

Some observers say the string of minor military insurrections and mini-coups, usually against targets far from the seat of government, have continued because of the leniency with which participants have been treated. After one insurrection last June when a former vice-presidential candidate declared himself President in a brief take-over of the smart Manila Hotel, Gen Fidel Ramos, the armed forces chief, only made the participating soldiers do 30 press-ups.

The leaders of the latest plot appear to be officers linked to an aborted coup attempt in January who went underground when it failed. They are known to be loyal to former President Ferdinand Marcos who was last week reprimanded by US Government officials for trying to destabilise Mrs Aquino's Government.

Barclays Bank refused to comment on the Marcos situation yesterday, or confirm that it had done business with the former Philippine president, David Lascelles reports. The official reason was client confidentiality, though it was also likely that the Foreign Office had prevailed on Barclays to avoid any comments that might aggravate US-UK relations. All a spokesman would say is that it had received no formal request for information from the US, and there had been no subpoena. Barclays' business in Hong Kong is not so large that it would fail to notice major transactions of the kind the US authorities believed passed through the bank. However, there has apparently been nothing to arouse undue suspicions.

1STOV = Small tanker or other vessel 2 VLCC = Very Large Crude Carrier (200,000 tons deadweight +). 3 ULCC = Ultra Large Crude Carrier (350,000 tons deadweight +). 4 Ships sunk or declared constructive total loss.



HOW THE NUMBER OF ATTACKS INCREASED

Year	Iraqi attacks	Iranian attacks	Total
1984	21	17	38
1985	30	12	42
1986	55	38	93
1987*	33	27	60
Total	139	94	233

* Correct to July 13 1987.

ATTACKS BY IRAN

Flag	Total	STOV [1]	VLCC [2]	ULCC [3]	Killed	Injured	Ships lost [4]
Liberia	19	10	9	—	7	15	—
Panama	11	10	1	—	16	2	2
Kuwait	10	6	4	—	2	2	—
Greece	8	3	4	1	—	—	—
Cyprus	7	5	2	—	8	7	2
S Arabia	5	3	2	—	11	7	1
Japan	4	2	2	—	—	—	—
S Korea	3	3	—	—	4	—	—
Norway	3	1	2	—	—	4	—
Turkey	2	1	1	—	2	4	1
Philippines	2	2	—	—	1	—	—
France	2	—	2	—	—	—	—
Qatar	2	2	—	—	—	—	—
India	2	1	1	—	—	2	—
Spain	2	—	2	—	—	2	—
UK	2	1	1	—	—	—	—
USSR	2	2	—	—	—	—	—
W Germany	1	1	—	—	—	—	—
Belgium	1	1	—	—	—	—	—
UAE	1	1	—	—	—	—	—
Bahamas	1	1	—	—	—	—	—
Taiwan	1	1	—	—	—	—	—
Singapore	1	1	—	—	8	—	—
India	1	1	—	—	—	—	—
Bermuda	1	—	1	—	—	—	—
Totals	94	59	34	1	50	43	6

ATTACKS BY IRAQ

Flag	Total	STOV [1]	VLCC [2]	ULCC [3]	Killed	Injured	Ships lost [4]
Iran	26	8	14	4	20	2	2
Liberia	26	6	19	1	14	5	11
Cyprus	23	5	16	2	6	1	5
Panama	17	15	2	—	8	7	4
Malta	12	8	4	—	—	—	4
Greece	11	4	7	—	2	—	3
Turkey	6	4	1	1	10	7	3
W Germany	4	4	—	—	6	—	1
S Arabia	2	1	—	1	2	—	2
Singapore	2	2	—	—	2	—	1
Bahamas	2	1	1	—	—	—	—
Netherlands	2	2	—	—	—	—	—
Norway	1	—	1	—	—	—	1
N Korea	1	—	1	—	2	—	1
S. Korea	1	1	—	—	—	—	—
Italy	1	—	1	—	—	—	—
Unknown	2	—	—	—	—	—	—
Totals	139	61	67	9	74	22	38

The tables above are corrected forms of those which appeared on page 20 of yesterday's edition.

Kohl acts for Israel during tour of China

By Robert Thompson in Peking

WEST GERMAN Chancellor, Helmut Kohl, confirmed yesterday that he has been a messenger for Israel and passed on to the Chinese leadership that country's desire to establish diplomatic relations with China.

Chancellor Kohl would not reveal how his Chinese hosts responded to the request, but said he woud convey the Chinese comments to Israeli leaders, who have been pushing for formal ties with Peking.

While China has no diplomatic links with Israel, members of the Israeli Communist Party have recently completed a visit, and indirect trade between the two countries has grown significantly in recent years.

China officialy supports the aims of the Palestine Liberation Organisation and has said that reports that it is ready to establish dilomatic ties with Israel in an attempt to assure itself a role in an international peace forum on the Middle East are "sheer fabrication."

Meanwhile, Chinese officials have apparently hinted to the Chancellor that Premier Zhao Ziyang is likely to be chosen as General-Secretary of the Communist Party at a party congress in the autumn.

Until now, Zhao has maintained that he would be better qualified to continue as Premier, although he is clearly favoured to head the party and has been acting party chief since the fall of Hu Yaobang in January.

Senator Daniel Inouye, right, and Senator Warren Rudman, respectively chairman and vice-chairman of the Contra hearings

North testimony disrupted by party infighting

BY LIONEL BARBER

THE CONGRESSIONAL hearings investigating the Iran/Contra scandal yesterday were disrupted by an hour-long row between Republicans and Democrats over marine Lt Col Oliver North and his efforts to help the Nicaraguan Contra rebels.

The row erupted after a House Republican member, Mr Jim Courter of New Jersey, requested that Col North be allowed to present a 25-minute long pro-Contra slide show.

Democrats protested that this would amount to free television advertising for the Contra cause since the public hearings are being broadcast daily on US television.

The dispute marks the first time in nearly 10 weeks of hearings that the joint House-Senate panel has fallen victim to partisan infighting between the Democrat majority and the Republican minority, and is *largely due to the magnetic performance* of Col North

Senator Daniel Inouye, the Hawaii Democrat and Watergate veteran who chairs the Senate side of the committee, in a compromise ruling, allowed the leading Republican on the House side, Mr Dick Cheney of Wyoming an extra 20 minutes to question Col North.

Col North then obliged by describing the slide show which between 1985 and 1986 he had given to potential private donors to the Contra cause. The slides featured Mr Andrei Gromyko, the former Soviet *Foreign Minister, describing* the Caribbean region in March 1983 as "boiling like a cauldron."

Other slides included photographs of Soviet communications sites in Cuba, pictures of Soviet Hind helicopters, an East German school book showing children learning to count by using AK47 rifles, and finally, the 57th slide, a photograph of the grave of a Contra resistance fighter.

It was Col North's sixth day of testimony yesterday and some of his magic was beginning to wear thin. He was to be followed later in the day by his one-time boss and President Reagan's former national security adviser, Mr Robert McFarlane.

Mr McFarlane was expected to challenge Col North's testimony by denying that he took part in preparing a false chronology on two arms shipments to Iran and to further deny Col North's claim that he sanctioned the marines' contacts with fund-raisers and donors to the Contra cause.

David Buchan reports on the reasons behind a successful arms sales push by America's allies

Europe wins a share of US defence spending spree

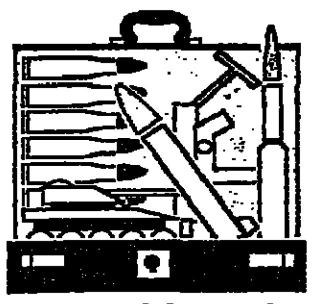
LAST YEAR the European members of the North Atlantic Treaty Organisation sold the US *a record* $2.9bn-worth of weapons and helped bring the chronic US surplus in the transatlantic arms trade to its lowest point since the Second World War.

This is a measure of the growing sophistication of the European defence industry, relative to that of the US, and a tribute to recent American receptiveness to a larger European and foreign stake in the ambitious US military procurement programme.

Only three years ago the famous "two-way" street in the transatlantic arms trade had American arms salesmen driving down seven lanes of the highway and their European counterparts using only one lane: the US sold virtually seven times ($8.2bn) more to Europe than it bought ($1.1bn). The 1986 ratio was a mere 1.6 : 1 in favour of the US.

The reasons for the European arms push into the US are clear. Sales have fallen off elsewhere, particularly for France, whose defence exports to the US last year showed the most marked rise of any European country. The US is the world's largest arms market and has just undergone its greatest peacetime defence spending spree. That rearmament is tailing off. But with total procurement still around $140bn a year and import penetration as low as 2 per cent, the US retains plenty of potential.

The US attitude has rather more to do with certain key personalities in Washington, one on Capitol Hill and two in the



PENTAGON INC.

Administration. Senator Sam Nunn, chairman of the Senate armed services committee, shifted his stance in the mid-1980s on the "burden sharing" arguments between Americans and Europeans. *He has sponsored* special funding to give both sides of the Atlantic an (unparalleled) opportunity to collaborate on defence equipment.

For their part, President Reagan and Mr Casper Weinberger have been more than ready to see those contracts that relate to their pet project — Star Wars research — go to allied or friendly countries as the price for their support for that controversial *programme.*

But there also seems to be a wider awareness of the American self-interest in giving allies mores access to US procurement. "This isn't any goodwill aid programme," says *Captain Denis Sullivan*, who heads the "side by side" testing programme that pits foreign against US weaponry to find the best. "It's designed to help the US services fulfil their requirements," he stresses.

Some $3.4bn worth of foreign weaponry has been bought by the US services under special testing programmes since 1981. Before that date, the services had to pay for any testing out of their normal procurement budgets and were loath to do so. Since 1981 some $10-20m a year was set aside for testing foreign arms and in 1986 another $25m (rising now to $50m) was *earmarked* by Senator Nunn to evaluate allied Nato products. The pay-off in importing an off-the-shelf weapon, with the research and development (R & D) paid for by someone else, is big, claims Captain Sullivan.

In reality, the three services have been happy to dig into their own *pockets* to test a foreign system that looked like filling a big hole in their armoury. The Navy, on behalf of the US Marine Corps, has stumped up for co-production of the AV8B Harrier derivative, long the largest of US-European collaborative projects and now one of the most endangered by Congressional budget-cutting.

The army tested and bought the French RITA tactical radio system and is now running its own *competition* (between US teams with UK, French and Swiss partners) for a forward defence gun. *But extra*, centrally provided, testing money means smaller or more marginal foreign hardware *usually gets an evaluation it* would not have done before.

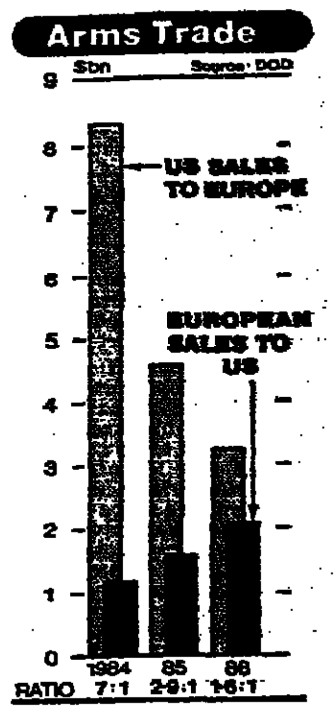
International collaboration is a tiny share in US R & D, compared with European states which devote 15 per cent or more of total R & D resources to collaborative projects. Senator Nunn has added about $150m *to* the $800m a year which the US services already spend on collaborative R & D. But this is out of a total US research budget of $35bn.

The Nunn collaborative programmes have provided the catalyst to a lot of Nato work of conventional defence improvements and standardisation. Some 10 projects have got off the ground. They are worthy attempts to plant the seed of common programmes of the future, recognising that on big systems like aircraft, the US and Europe will go their own way.

They are not, however, a form of American altruism. All the Nunn money has to be spent in the US (a crucial difference with Strategic Defence Initiative contracts). The transfer of know-how is two-way. One programme, UK-US research into advanced short-take-off aircraft, helps the US exploit a European technical lead.

It is precisely because SDI funds may be spent abroad without any requirement for matching foreign funds that foreign participation in SDI is under fire in Congress. Partly to head this off, Administration officials point to certain *foreign contributions* already made to SDI-British skills in missile defence countermeasures; German expertise in optics; Italian work in small propulsion systems; French strength in electronics; and *Israeli* work on anti-tactical missile systems.

But protectionism, as it



affects the *defence* industry, is on the rise. It comes in two forms, or at least from two different directions. Congress, *increasingly exercised* by the *overall* trade deficit, is turning to defence, the one major part of US industrial procurement over which it has direct control. So there are now various amendments to the Trade Bill.

One would make defence products, where subsidised by foreign governments, liable to countervailing duties (even though all defence R & D is subsidised by governments, including and particularly the US). Another would place a 5 per cent price handicap on any foreign company competing for a US government contract with a US company from a high unemployment area. A third would deny foreigners SDI contracts where any US company was judged "competent"—not even equally competent—in the particular field.

The Administration opposes all the amendments, but has its own concerns about defence imports. In particular, it is worried about the degree to which US weaponry depends on foreign components (semi-conductors, optics, bearings), or is made on foreign machine tools. It is not a completely fanciful prospect that the DoD might start to require that any foreign weapons systems it buys incorporate US components as a support to US industry.

The DoD's concern is to maintain its industrial mobilisation base, usually defined as the US plus Canada, so that production could be maintained and boosted in a war. "We really do try to have a wartime underpinning for our industrial policy and not to *let* it be used as a pretext for economic restrictions," says a DoD planner. But the side-effect might *still be protectionism.*

This is the third of a series of articles charting the consequences of the dramatic military build-up of the Reagan years. Previous articles appeared on July 13 and 14.

Canadians search for second refugee vessel

BY ROBERT GIBBENS IN MONTREAL

NAVY destroyer and coast guard aircraft were yesterday searching for a second vessel carrying more Indian refugees to Canada's east coast.

Police said the vessel could be carrying the families of 174 refugees who landed early on Sunday at a fishing village near Yarmouth, Nova Scotia. The vessel was reported to be partly owned by Mr Rolf Nygren, a Swede, owner and captain of the 500 tonne Amelie now in the custody of the Canadian authorities in Halifax.

Nygren and Jasvin Singh, of Coventry, England, have been charged in Halifax with aiding and abetting illegal entry of persons into Canada. Three crewmen of the Amelie, the first refugee ship, face similar charges.

The Amelie set out from Rotterdam, where its skipper is well known, and probably picked up the refugees from another ship near the European coast, police said.

Hollywood film strike averted

By Louise Kehoe in San Francisco

AN ELEVENTH-HOUR settlement between film directors and production studios narrowly averted a big US film and television industry strike which scheduled to begin early yesterday.

According to members of the Directors Guild of America, which has been in dispute with the production studios and television companies, the strike was called off after an all-night negotiating session.

In Los Angeles, bus loads of pickets who were making their way to the film studios to begin the strike at 6 am were recalled when negotiators settled the dispute at 6.15 am, a guild spokesman said.

The guild had threatened to strike Columbia Pictures and Warner Brothers studios in Los Angeles as well as NBC television nationwide. The strike threatened to disrupt production of films and television news and sports broadcasts as well as *production of TV shows including* NBC's popular soap opera and game show series.

NBC reached a settlement with its guild member directors late on Monday, according to a guild spokesman. The film studios continued negotiations until early yesterday. Disputes with ABC and CBS television are still to be resolved.

Terms of the settlements were not immeiately clear. A guild spokesman said, however, that the major point of contention—"residual" payments to directors whose shows or films are sold to cable television or syndication, had been resolved.

US attacked on arms stalemate

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE dispute between Washington and Moscow over who is to blame for the stalemate over resolving the final obstacles in the way of an arms control agreement covering intermediate and shorter-range missiles in Europe took another twist yesterday when a top *Soviet* official charged in a US newspaper that Washington is introducing "new destructive conditions" to the talks.

In a lengthy analysis of the current state of the negotiations in the New York Times, Mr Yuli Vorontsov, the Soviet Deputy Foreign Minister, described as a "serious stumbling *block, US insistence that it has* the right to convert intermediate range Pershing 2 missiles in Europe into Pershing 1B's because the process could easily be reversed.

The official also asked: "Why does the United States still insist on deploying Pershing 2's in Alaska?" and criticised proposals to modernise and build up nuclear arms stocks "under the guise of preserving the American nuclear guarantees to Western Europe."

Last week the US alleged after Moscow's failure to come forward with proposals for an early meeting between Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr George Shultz, the US Secretary of State.

Separately a Soviet official was *reported to* have told a seminar in Washington sponsored by Harvard University that Moscow could agree to a Nato demand to scrap all medium-range missiles in Asia, but he linked this to agreement by the US to reduce its nuclear forces in the Pacific.

US officials have argued that insistence on retaining 100 warheads on intermediate range missiles adds significantly to the problems of reaching an arms control agreement and *could make it impossible to* reach one by the autumn of this year.

The Soviet Union said an accord on medium-range missiles could be reached in weeks if the Americans showed goodwill, Reuter reports from Moscow. A Foreign Ministry spokesman, rejecting charges by the Reagan Administration that Moscow had caused a loss of momentum at the Geneva talks, said: "This has nothing in common with the actual state of affairs."

United Auto Workers' lawsuit dismissed

A FEDERAL judge dismissed a lawsuit brought against General Motors by members of the United Auto Workers who challenged a Japanese manufacturing method used at a Van Nuys plant, Reuter reports from Los Angeles.

The dismissal on Monday by U.S. District Judge Alicemarie H. Stotler thwarted efforts by UAW shop chairman Mr Peter Z. Beltran, a plaintiff in the suit, to stop the manufacturing method known as team concept.

In team concept, employees work *in groups or teams on entire* sections of a car, instead of performing a single repetitive task.

It has narrowed the job classifications at GM's Van Nuys plant from 170 to two: team leader and team member.

General Motors is counting on team concept to help reverse its declining profits.

Dr Seltran had contended that lack of job classifications would lead to salary declines and health and safety problems as workers substituted for one another.

He and the other plaintiffs in the suit charged General Motors with breach of contract, saying the company had violated the national UAW agreement when it installed team concept.

Mr Beltran said there was no legitimate local contract to implement the method.

General Motors, however, produced a *contract signed by* international representatives for the UAW.

"I think, in a manner of speaking, we were clobbered," said Mr Beltran.

But he predicted the union would again fight the team concept in contract negotiations when the national UAW contract expires in September.

Ford to invest $563m in truck line

FORD MOTOR Company said yesterday that it would invest $563m for a new light truck line, with almost half going to expand a Kentucky *plant where two current* truck models are built, Reuter reports from Louisville.

The world's second biggest car maker, which analysts say has better profit margins on trucks than cars, said the project could create up to 500 new jobs and retain 700 others that might have faced transfer from the existing workforce of 3,300.

The Louisville site was chosen from among several potential locations including Brazil, Spain and the US, according to people familiar with the project.

The venture includes $260m dollars for plant expansion and tooling.

Canute James in St Lucia reports on progress towards birth of a nation

Caribbean islands take step closer

SIX EASTERN Caribbean islands, long toying with the idea of a political union, have formally agreed to create a single nation. No date has been set for the birth of the new nation, but all six governments involved will put the matter to a referendum by the middle of next year with indications that a single country *will emerge in* 1989.

The leaders of the six islands – St Lucia, St Vincent, Grenada, St Kitts, Dominica and Montserrat – met here and decided to go ahead with the federation despite the reluctance of Antigua to commit itself.

Antigua had earlier agreed in principle to the political union, but Mr Vere Bird, the ageing Prime Minister, has to face a general election next year, and officials of his Government have suggested a decision on becoming a part of the federation will be taken afterwards.

"These islands have been discussing political unity since the 1930s," said Miss Eugenia Charles, the Prime *Minister of Dominica.* "If we do not do it now we will never do it."

"I do not think that these islands can survive into the 21st century as individual units just waiting on the breadline of the world, waiting for handouts," argues Mr John Compton, the Prime Minister of St Lucia. "We cannot make the type of social *and economic progress which our* people themselves demand without some sort of association."

The new state will have a population of about 500,000 people with an economy based on commodity exports – bananas and spices – and tourism. Their economices grew last year by an average 4.7 per cent, but Mr William Demas, president of the Caribbean Development Bank, *suggested that the fragility of the* small economies is one of the ties that should bind.

"These islands have very limited economic options," he said. "Their only way to economic and political stability is through political union." The six islands, and Antigua, have an established basis for co-operation, being members of the Organisation of Eastern Caribbean States, a subgroup of the Caribbean Economic Community.

Their geographical proximity – Grenada in the south is 450 miles from St Kitts, the northernmost of the six – has led to a high level of migration between the islands. Mr James Mitchell, the Prime Minister of St Vincent, and *Mr Compton* are brothers-in-law.

The islands also have one central bank and a common currency, share the same high court and are members of a regional security system.

The most important factor which has contributed to the joint *approach to political unity, however,* is the common ideological disposition of the current political leaders. They are all moderates with strong ties to the US and describe their left-wing opposition parties as Cuban surrogates.

The support of the islands governments for the 1983 US invasion of Grenada, the strong links with Washington, and a statement by Mr *Mitchell* that a unitary state "...will be more important to the security of the United States, Canada and Latin America," have led some opposition leaders to attack the movement towards the federation as being at Washington's behest.

"We have little argument with the idea of a federation," conceded said Mr Julian Hunte, leader of St Lucia's conservative opposition. "Such a union is needed in the region. But we are worried about the undue haste in which the matter is being pursued. We believe it is a scheme hatched in North America."

The charge has raised the hackles of some leaders, including Miss Charles. "I do not have to take instructions from any American Government," she countered testily.

Despite the common factors which are bringing the six islands together the leaders will inevitably be looking over their shoulders for the ghost of the West Indies Federation which collapsed 25 years ago when Jamaica and Trinidad and To*bago pulled out. The eastern Carib*bean islands which were part of the federation, soon gave up on a plan to create a political union.

Mr Mitchell has suggested to his colleagues that the new state be a republic with a president elected for a fixed five year term on the French model, and with German-type parliament to which a half of the legislators are elected through proportional representation and the other half on a first past the post constituency basis.

Clearly aware of the dangers of parochialism which defeated the previous federation, he has warned that the role of local government should be "determined early."

The other countries in the region, and which were members of the former federation, are backing the planned union, but are not keen on being a part. "We will not be involved in any new political union," said Mr Edward Seaga, the Prime Minister of Jamaica. "We have no interest in a new federation. Indeed the membership of any of the larger countries would distort the planned federation which will include states of a similar size, experience and background."

The ghost of federation past, however, is likely to ask the architects of the new union whether they are really willing to do away with their current symbols of nationhood such as flags and anthems, and to *settle* for one vote in forums such as the UN.

Bob Vincent describes a Canadian study's warning to Washington policymakers

US criticised for interpretation of trade laws

THE PRECEDENTS the US is creating by unilaterally attacking other countries' trade surpluses could come back to haunt its policymakers in the 1990s, according to a new study published by the Canadian-American Committee.

By 1990 the US total foreign debt will have reached some $700bn to $900bn, and could easily reach $1,000bn, the study says. The US will then need a trade surplus as large as its current trade deficit to service this debt. US self-interest will then call for a liberal trade regime. "If, in the meantime, Washington has adopted a policy which has encouraged the erection of high trade barriers and elaborate import regulatory regimes, it will be difficult for the US export sector to revive sufficiently."

The US, the study adds, might then find itself in the same position as many large developing country debtors—hard pressed to service large amounts of foreign capital because the export markets needed to generate the required trade surplus increasingly are being restricted by trade barriers.

The study, written by Richard Lipsey and Murray Smith of Canada's prestigious C. D. Howe Institute, estimates that the US net international debt servicing bill will probably be between $50bn to $100bn by the early 1990s.

It is therefore in the longer-term interest of the US to preserve the now-threatened structure of liberalised world trade and to abandon short-term bilateral considerations.

The authors put the current US debate on trade in the context of the nation's trade relations with Canada and the bid to create a bilateral free trade agreement. The talks on the agreement, which would create a trading bloc with two-way trade of more than $124bn, are due to be completed by the end of September.

But they point out that the Canadians are concerned at the threat to the negotiations posed by the growing tide of protectionism in the US, which is being expressed in elements of the Trade Bill debate. They also stress that failure of the bilateral talks could well weaken Washington's prospects of achieving its objectives in the current round of global trade talks.

They maintain that if Canada and the US cannot agree on such issues as the control of non-tariff barriers and opening up trade in services it will be difficult to make progress in these areas in "the cumbersome multilateral forum."

The study gives several reasons for Canadian concern over trade relations with the US which have both a particular and global significance. The US use of fair trade laws comes in for considerable criticism.

The authors point to "repeated unilateral reinterpretation" by the US of its fair trade laws, which are described as "one-eyed judges." This has induced a feeling of insecurity among Canadian exporters. "Canadians have come to suspect that whenever their market penetration upsets US interests some pretext for new countervailing duties will be found."

In addition, the target of US countervailing duties is shifting from specific, clearly trade-distorting subsidies to policies that are more general. The Canadians perceive this as an attempt to influence national policies.

"In this broadening of the scope of countervail, many Canadians see the current US approach as a direct attack on their sovereignity." The US action on Canadian softwood lumber is cited as an instance of Washington restricting Canada's policymaking autonomy.

The study maintains that Canada's access to US markets is being threatened by the increasing use of US fair trade laws, and that the root of the US problems lies not in foreign unfair trade practices but in the huge government budget deficit. The solution requires a combination of tax increases and expenditure cuts.

But the authors warn: "The world economy may avoid falling off the edge of the precipice but the resulting changes in US trade laws could still have serious implications for all the countries that trade with the US and set precedents for other countries in the 1990s."

US TRADE IN MANUFACTURES, 1982 AND 1985

Trading partner/area	Change in bilateral balances, 1982-85 (US$bn)	Percent share of US imports 1985	Percent share of US exports 1985
Canada	−4.6	18.8	26.2
Japan	−20.8	26.6	7.6
Western Europe	−21.1	26.1	26.7
Latin America	−10.4	6.2	12.9
East Asian NICs*	−16.4	15.0	7.2

* Newly industrialising countries of Hong Kong, Singapore, South Korea and Taiwan.

Source: United States Executive Office of the President, Economic Report of the President.

Cyprus doubles Airbus order

By Michael Donne, Aerospace Correspondent

CYPRUS AIRWAYS, the national airline of Cyprus, has increased its order for Airbus A-320 twin-engined airliners from four to eight aircraft, worth over $250m.

This brings total Airbus A-320 sales to date to 439 aircraft, from 16 customers, of which 281 aircraft are firm orders and 158 are options.

The Cyprus Airways aircraft will use the International Aero Engines V-2500 engine, now under development, the deal being worth $32m for the international engine group.

IAE said that to date seven airlines had placed orders for V-2500 engines for A-320 Airbuses, worth about $1.6bn. Engines are now on test in the UK, West Germany and the US, and have amassed 1,700 hours of running. Other A-320s are powered by Franco-US Snecma-General Electric CFM-56 engines.

The A-320, a 150-180 seater advanced technology airliner, is already engaged in its flight test programme and is due to enter airline service next spring. Cyprus Airways will receive its A-320s starting in April, 1989.

EC in trade deal with Yugoslavia

YUGOSLAVIA and the European Community have reached new trade agreements which will give Yugoslavia easier access to the 12-nation bloc for its exports of beef, wine and industrial products, Reuter reports from Brussels.

The Commission said that under the agreements signed last Friday, export ceilings on some Yugoslav industrial goods will be abolished and duty-free export limits on other goods raised by an average 15 per cent.

Yugoslavia, its economy in crisis with 100 per cent inflation and difficulties on foreign debts, will also benefit from better terms for farm exports, especially beef and wine.

The agreements have been drawn up as part of a broader co-operation pact between the EC and Yugoslavia dating from 1980.

Yugoslavia is the EC's second largest Mediterranean trading partner after Algeria, and its exports to the Community have risen from $3.15bn in 1982 to $5.5bn in 1986.

● Honda Motor of Japan is to start exporting motorcycles to Yugoslavia this year, AP-DAJ reports from Tokyo.

Honda said the company, believed to be the first Japanese manufacturer to export motorcycles to the East European country, plans to sell a 450cc model. Exports will begin in August.

The company intends to add a 750cc model in the future, and hopes to reach sales of up to 1,000 a year.

Honja was prompted to start motorcycle exports to Yugoslavia because of a sharp drop in shipments to major markets like the US and China.

Exports to the US fell due to the appreciation of the yen, while those to China slumped as a result of Peking's chronic foreign currency shortage.

Overall motorcycle exports by Japanese makers plunged 31 per cent in 1986 from the previous year, according to industry statistics.

Honda said exports to Yugoslavia were arranged through Marubeni, the Japanese trading house, because of the lack of marketing experience in East European countries.

Honda hopes to export cars also to Yugoslavia.

Singapore ship boost for Iran

BY ROGER MATTHEWS IN SINGAPORE

IRAN has found a novel way of cutting the cost of the Gulf shipping war, thanks to the expertise of a Singapore ship-repair yard.

Of the 330 merchant ships attacked in the Gulf since the war began nearly seven years ago, the majority of the most badly damaged have been owned or chartered by the Iranian government.

Three of those vessels should be ready to rejoin the fray by the end of the year, although they will be returning to the Gulf as just two ships. Jurong shipyard, in what it describes as a "unique and intricate project," is slicing in half two of the vessels and will form a new ship from the less damaged halves. The third ship is being extensively built.

The Marun, Mokran and Minab are 25,000 dwt product carriers and all are thought to have been hit by Exocet missiles. National Iranian Tankers, an Iranian company is paying Jurong shipyard $8m for the cannibalisation and rebuilding.

The Singapore company said the price representing a considerable saving for NITC, even in the depressed state of the world shipping industry. The work also includes rebuilding the crew accommodation areas, complete new navigational systems and renewing the 9,000 bhp main engines.

Mitsui may pull out of Iran chemical venture

MITSUI of Japan is likely to withdraw from a joint venture petrochemical project with Iran as the Iran-Iraq war drags on, Reuter reports from Tokyo.

The trading house is likely to file a petition with Japan's Ministry of International Trade and Industry (MITI) to collect overseas investment insurance to minimise losses incurred by the project, the company said.

The company would file for the insurance on the grounds either that it is impossible to continue the project because of the Iran-Iraq war or that the project has been suspended for more than six months, both stipulated as conditions

The site has been bombed by the Iraqis, but claiming the damage for insurance is difficult because it cannot be accurately assessed.

French experts find place in the sun in Francophone Africa

BY PETER BLACKBURN IN ABIDJAN

It was rather like trooping the colour when Ivory coast's President Houphouet Boigny marched his entire Cabinet of 40 ministers down to inspect the new offices of the country's public works agency overlooking Abidjan's lagoon.

However the occasion was not a birthday treat for the venerable 81 years old President Boigny but homage to the good work done by the agency's controversial French director Mr Antoine Cesareo.

President Houphouet-Boigny —key role for Frenchman

The unusual spectacle briefly spotlighted the important but discreet role that French expatriates continue to play in the political and economic affairs of French-speaking West African capitals from Dakar to Libreville nearly three decades after independence.

The stocky and combative Mr Cesareo, who already had extensive Ivorian experience, was brought back from France in 1977 to set up the Direction et Controle des Grands Travaux (DCGTX). Since then he has worked wonders in cleaning up the corrupt public works sector after the excesses committed during the cocoa and coffee boom in the 1970's.

In so doing, Mr Cesareo has created powerful enemies amongst overseas contractors, aid donors and the population.

It was in order to silence these criticisms that president Boigny took his ministers to visit DCGTX's new enlarged offices in a converted hotel on an attractive site overlooking the lagoon.

President Boigny made no speeches but the warm handshake was a clear public benediction of Mr Cesareo.

The speeches came instead from the director of the DCGTX who explained to the ministers how his agency had saved the country CFA 800bn ($2.7bn) on building and public works projects over the past decade.

During this period the DCGTX supervised the completion of projects worth CFA 1,000bn ($3.3bn) without any cost overruns

President Boigny has never hidden his desire to use foreign expertise to accelerate his country's economic development. As a result the Ivory Coast, an economic backwater in 1960, has long since overtaken neighbouring Ghana.

Ivory Coast has the greatest number of French citizens, about 40,000 out of a total of some 300,000 on the continent. But the use that it makes of expatriates from the old colonial power is by no means unique. Other French experts occupy important posts in other sub-Saharan Francophone countries.

Close relations do not always make for harmony. The strongest but also the stormiest French connection is with tiny, oil-rich Gabon. The close links between the Bongo regime and French intelligence and business interests were detailed in Mr Pierre Pean's book "Affaires Africaines," which alleged that Gabon was jointly controlled by French and Gabonese masonic secret societies. Its publication in 1983 caused a major diplomatic row

But such "family" quarrels are rare. It is likely that most of the second generation of independent Francophone African will follow President Boigny's example and continue to make extensive use of French expertise.

Kawasaki wins port order in Indonesia

KAWASAKI Steel has received construction orders for projects at Indonesia's Panjang port and the Philippines's Nasipit port, the company said yesterday, Reuter reports from Tokyo.

The Y1.2bn (£4.9m) Panjang Port project is for repair and improvement work, including expansion of the quay and construction of warehouses.

Construction at the Sumatra island port will start next month and be completed in May 1989, Kawasaki said.

The Y700m project for Nasipit on Mindanao Island is to build a new port after dismantling the current one.

Construction at Nasipit will begin in August this year and be completed in June 1989.

● Astilleros Espanoles, the Spanish shipyard, is to build an oil tanker for France that will be Spain's first tanker order for five years, Reuter reports from Madrid.

FHA code of conduct to combat rise in debt

BY HUGO DIXON

THE FINANCE Houses Association, the industry's trade body, yesterday published a code of conduct designed to ensure *responsible lending practices* among its members.

The code has received full backing from the Office of Fair Trading. It comes at a time of concern that some institutions are lending consumers money without checking their ability to repay. As a result, there has been "a rising tide of debt and a rising tide of over-commitedness," as Sir Gordon Borrie, director-general of Fair Trading, put it.

The code is the association's attempt to get over the problem. Any of its members that break it will, it says, be expelled from the association.

The code requires members to:

● Check that customers are able to repay a loan. Except in the case of very small loans, that will normally involve making a search with one of *Britain's credit reference agencies.*

● Supply information about their borrowers, such as how much they have borrowed and whether their repayments have been on time, *to credit reference agencies.* That, it is argued, will enable other lenders in the future to judge whether to make a loan.

● Ensure that advertisements *for "secured"* loans make clear that the loan is secured on the customer's house. Consumers have sometimes thought that "secured" meant the loan was very safe, not realising that by taking out such a loan they were putting their homes at risk.

● Deal promptly with complaints. Consumers will, if they wish, be able to resolve disputes through an arbitration *scheme run by the Chartered* Institute of Arbitration.

● Encourage consumers to tell them if they are in financial difficulty, respond sympathetically in such cases and tell them they can get help from bodies such as the Citizens Advice Bureaux.

● Take particular care with young people.

Much of the code's language is fairly vague. However, Sir Gordon said he did not think this "lack of precision" was necessarily a defect. What mattered was that the code was implemented in its spirit, not just its letter. He said he was confident the association would do that.

Bank elects rescuers to be deputy chairmen

By David Lascelles, Banking Editor

MR ROBERT Holmes à Court, the Australian entrepreneur, has been appointed a deputy chairman of Standard Chartered Bank.

Mr Holmes à Court, who *has* an interest of 14.9 per cent in the bank, was one of the "white squires" who came to Standard's rescue when it was the object of a hostile takeover bid by Lloyds Bank last year.

Standard's other white squire, Sir Y. K. Pao, the Hong Kong shipping tycoon, was also earlier elected a deputy chairman of the bank. He owns a similar stake to Mr Holmes à Court.

The appointments are intended to reinforce the two men's long-term commitment to Standard Chartered and dispel suggestions that their interest is short-term and speculative.

However, both are carrying large paper losses on their investments and have been viewed as potential sellers now that the 12-month moratorium by the City's takeover code on a *new* bid by Lloyds has expired.

Standard Chartered's shares rose 17p to 815p yesterday.

● A group of companies controlled by Mr Holmes à Court has applied to US government anti-trust authorities for permission to boost its stake in Texaco, the US oil group operating under Chapter 11 of the *US Bankruptcy Code, to* between 10 per cent and 15 per cent. The group holds 9.6 per cent of Texaco's shares, our Financial Staff writes.

Alvey projects endangered by lack of funds

BY DAVID THOMAS

SOME PROJECTS developed with the help of the Government-backed £350m Alvey programme for advanced information technology research are in danger of being frustrated because of shortage of funds for investment, Mr Brian Oakley, director of the Alvey programme, said yesterday.

He was speaking at a conference at the University of Manchester Institute of Science and Technology held to discuss the five-year Alvey programme, in which 113 companies and 55 *universities* have participated since it was launched in May 1983.

About 250 projects were being funded under the scheme, which is centred on collaboration between companies and university departments, at the end of last year, the peak period for the scheme.

Last year the official IT '86 Committee proposed to the Government a new five-year *programme* worth £1.05bn, just less than half of which would come from public sources. The conference yesterday heard strong support for the general thrust of the proposals from most speakers.

BIGGEST PARTICIPANTS IN ALVEY

Company	No. of projects	University	No. of projects
GEC	58	Imperial College	37
ICL	41	Edinburgh	34
Plessey	38	Cambridge	28
STC	32	Loughborough	19
BT	31	Sussex	18

Mr Oakley, who is to retire as Alvey director this year, said independent monitoring of the first phase of Alvey showed that most Alvey projects had made good technical progress, had resulted in effective collaboration between companies and universities, and had been well managed.

He added that commercial exploitation plans existed for *about half* the Alvey projects, but it was too early to judge whether the other projects would lead directly to commercial exploitation.

Given the difficulties that existed in funding the further development of some of the projects on a UK basis alone, however, it was crucial for Britain to participate in European-wide research and development.

Mr Mike Watson, director of marketing and technical strategy for ICL, the largest British-owned computer company, speaking to the conference on behalf of industry, said that, thanks to Alvey, a national strategy for information technology, comparable with Britain's competitors, was evolving.

"Alvey has been the first tentative step towards establishing such a national consensus in the UK and we would be delinquent both to our own enterprises and to the future of the UK if we failed *to maintain* this common spirit and to build on it."

He argued that before Alvey the government support for information technology had been highly fragmented and there had been little contact between companies and universities in information technology research.

Professor Bill Mitchell, chairman of the Science and Engineering Research Council, speaking to the conference on behalf of research institutions, said Alvey had resulted in a remarkable transformation of information technology research.

He argued that the programme should not be regarded as a transient one but "as a step change in the nature of support for information technology in this country."

However, he said funds that would flow to research institutions under the proposals made by the IT '86 committee, might, when taken together with European Commission funds, *be less* than the research institutions received during the first Alvey programme.

Mr John Thynne, from the Department of Trade and Industry, *said the Government* had received 180 comments on the IT '86 proposals. Most of them supported the broad balance and size of the new programme proposed by IT '86.

Council workers must return redundancy pay

REDUNDANCY money totalling £1.3m paid to 638 employees of Greater Manchester Council in the last days before it was abolished must be repaid, the Appeal Court said yesterday.

Lord Justice Kerr said: "It *is quite plain that* there was no entitlement to make these payments and no right of any of the employees to receive it."

The court dismissed, with costs, an appeal by three repre*sentative employees of the old* county council, whose affairs are now administered by the Manchester Residuary Body.

Wimpey's Little Britain plan approved by City

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

TWENTY-FIVE years of debate about the redevelopment of the Little Britain area, just north of St Paul's Cathedral in the City of London, came to a head yesterday when the City's plan*ning committee recommended* that a Wimpey Property Holdings scheme should proceed.

The scheme involves provision of 381,810 sq ft of offices, centred on two towers, one of *20 storeys at a height of 298ft* and the other of eight storeys. There would also be 102,820 sq ft of housing and 24,800 sq ft of workshops included in a total development of more than *675,000 sq ft.*

If the City's elected representative Common Council accept the recommendation, work would *start next year for completion* by 1990.

Such a completion date makes the scheme's value difficult to assess, given the shifts in City land values and that the *acute accommodation shortage* might by then have eased. However, it would be well above £100m.

Cruise missile base on schedule

BY LYNTON McLAIN

THE SECOND BASE for cruise missiles in Britain, RAF Molesworth, near Huntingdon, *is* to become operational as planned next year, in spite of the prospect of an agreement between the US and the Soviet Union on mutual reductions in intermediate-range nuclear forces. The first cruise missile base at RAF Greenham Common, Berkshire, has been operational for some time.

Colonel Kent Harbaugh, the commander of the US Air Force's 303rd Tactical Missile Wing at Molesworth said yesterday: "My mission is still to get this base fully operational next year." He already has 450 USAF officers and men at the base, just over half the eventual total of 800 USAF personnel who will man the missile wing. A further *200* additional support staff will be on the base by the end of the year.

The "twin-track" policy of the North Atlantic Treaty Organisation, agreed in December 1979, to modernise Nato intermediate-range nuclear forces in Europe and to negotiate with the Soviet Union mutual reductions in intermediate weapons, would have been proved to be correct whatever the outcome of the arms talks, the colonel claimed.

"*If the INF talks* succeed or fail, either way, we will have fulfilled our mission by next year," he said.

Under proposals being considered by the US and the Soviet Union, Soviet intermediate *missiles* and Nato cruise and Pershing 11 missiles could be scrapped.

The UK *Ministry of* Defence repeated yesterday its adherence to the Nato "twin-track" policy of modernisation for intermediate weapons and parallel talks to scrap them. "The (cruise missile) deployment programme will continue in the absence of any agreement making it unnecessary, but that deployment can be modified, halted or reversed in the light of such an agreement," the MoD said.

RAF Molesworth is to house 64 ground-launched cruise missiles, based in 16 "transporter erector launch vehicles."

NEI wins army bridge contract

By Our Northern Correspondent

NEI THOMPSON *has* won a £30m contract from the Defence Ministry to design and develop a family of bridging equipment for the British Army. The contract includes options for production starting in the early 1990s, which would take the value of the work up to a total of £100m.

NEI has spent more than two years working on the design of *what will be a mobile, light*weight system to replace the Bailey bridge. Further design work will continue for the next four years.

The contract was won in initial competition with six other companies, eventually whittled down to Williams Fairey and Royal Ordnance.

The systems will be capable of faster deployment with less manpower than the Bailey bridge and will be able to carry heavy armoured vehicles.

NEI, which has not hitherto manufactured mobile bridging, yesterday said the system would use many aluminium sections and that the company had considerable experience with the welding of such metal.

The project will use a firm-price contract with design acceptance planned for 1991. Most of the work will be done at NEI Thompson's Wolverhampton plant.

EC likely to probe ship subsidies

By Quentin Peel

THE EUROPEAN Commission is set to order an investigation into shipbuilding subsidies offered by France and Britain in the fierce competition to win the FFr 435m (£43.9m) order for a cross-Channel ferry.

The move follows a British complaint that the French Government was unfairly subsidising its own yard, Chantiers de l'Atlantique, which last month won the order from Brittany Ferries, the French group.

It appears that the bid by British Shipbuilders' Govan yard itself contained a higher proportion of state subsidy than a third offer from the Dutch yard of De Giessen-Noord—and hence the commission proposal to investigate both bids.

The proposal for an investigation to be opened under the EC rules on competition will be put to the 17-man commission today by Mr Peter Sutherland, the commissioner responsible. It is expected to be approved.

All subsidies are supposed to be suspended while the commission opens a procedure to check on the state aid made available. An eventual ruling might require such subsidies to be recovered.

The row between Britain and France over the Brittany Ferries contract has been raging ever since it became clear this year that the French Government and local authorities were putting political pressure on the company to place its order with a French yard.

Chantiers de l'Atlantique, owned by Alsthom, the French heavy engineering and shipbuilding group which is in turn controlled by CGE, recently lost a $150m order for a luxury liner from the US Sitmar Cruises group.

The British charge was that the French subsidy package — involving direct subsidies from the Industry Ministry as well as a financial package including interest-rate subsidies — either exceeded the 28 per cent subsidy limit (on the proportion of *total cost) laid down by EC law* or was anyway more subsidised than the other EC tenders. That is what the commission will seek to determine in the cases of both bids.

Govan had put in a bid of FFr 410m, reflecting lower costs and substantial state aid from the Shipbuilding Intervention Fund.

Commission officials said yesterday that the Dutch bid clearly contained the lowest subsidy content and both British and French bids would therefore come under scrutiny.

Warning on threats to TV

BY RAYMOND SNODDY

TELEVISION IS under threat from growing political interference, the vociferous minority concerned with obscenity and the deliberate application of market forces.

The warning comes tonight from Sir Denis Forman, deputy chairman of the Granada group and until recently chairman of Granada television, in the 15th Richard Dimbleby Lecture on BBC1.

Sir Denis argues that the foremost threat to the rule of broadcasting authorities, the BBC and the Independent Broadcasting Authority, comes from direct political interference, often arising from the belief that television is biased against the Government.

"A more insidious danger," he adds, "is the packing of the broadcasting authority with members who are 'one of us,' members who reflect the view of the Government rather than the viewers at large."

Sir Denis says that the Government longs to apply monetarist theories to television.

Such application of market forces conflicts absolutely with the doctrines enshrined in the Television Act and the BBC Charter that the prime purpose of television is to educate, inform and entertain.

BBC names Wilson as editorial policy controller

BY RAYMOND SNODDY

MR JOHN BIRT, BBC deputy director, yesterday made his first key appointment since being given the task of uniting BBC news and current affairs—radio as well as television—under a single directorate.

Mr John Wilson, editor of news and current affairs for BBC radio, has been appointed to the new post of controller *of editorial policy.*

Mr Wilson, who joined BBC radio as a sub-editor in 1966, will be responsible for journalistic standards throughout the BBC. He will take over the role of Mr Alan Protheroe, assistant director general of the BBC, who leaves at the end of next month.

All the signs are that Mr Wilson, who will report to Mr Birt, former director of programmes at London Weekend Television, will in effect be Mr Birt's deputy, although further appointments are expected.

Mr Birt is in the process of creating a management structure to run the directorate, which is likely to be brought together on a single site at White City in West London.

Independent producers complain over access

BY RAYMOND SNODDY

INDEPENDENT producers yesterday accused Britain's broadcasters of deliberately trying to circumvent government plans to give independents access to 25 per cent of the UK's four television channels.

Organisations representing independent producers said independent research showed that proposals from the ITV companies and the BBC go only a fifth of the way towards meeting government targets.

In March the BBC offered about 500 hours of programmes for independents, to be achieved by the production year 1991-92, and the Independent Broadcasting Authority offered about 500 hours by 1989.

That, according to a study by Knowledge Research, a group attached to the Polytechnic of Central London, amounted to just over a fifth of the Government's target for newly produced programmes.

The study does, however, include all the hours of news programmes, which the broadcasters have refused to include in any quota for independents.

Morgan Grenfell still tops takeover table

BY MICHAEL DIXON

MORGAN GRENFELL, the merchant bank hit by the Guinness scandal, nevertheless retained its leading position as financial adviser in UK public takeovers in the first six months of this year, according to a league table published by Financial Times Mergers & Acquisitions, a monthly magazine.

Morgan Grenfell has headed the takeover league table for several years, building up a reputation as a particularly aggressive tactician ready to test the rules governing bid battles to the limit. However, the bank's image was severely dented late last year by two scandals: the Department of Trade investigation into the takeover of Distillers by Guinness, a Morgan Grenfell client; and the disclosure that Mr Geoffrey Collier, a senior Morgan official, had been guilty of insider dealing.

The magazine survey says that in the first six months of the year Morgan Grenfell was adviser in 20 bids for quoted UK public companies with a combined value of just over £4bn.

In second place was J. Henry Schroder Wagg, which advised on 20 bids worth £3.4bn. Schroders ended only in seventh place in the magazine's 1986 survey. The rise in its position is due largely to the fact that it has advised in two of this year's biggest battles. It aided Pilkington Brothers in its successful defence against the £1.2bn bid from BTR, which was advised by Morgan Grenfell; it was also joint adviser, with Barclays de Zoete Weld, in the unsuccessful £540m bid for Norcros by Williams Holdings.

Norcros was defended by Charterhouse, a bank with a traditionally small mergers and acquisitions department that has grown rapidly in recent years. It occupied fourth position in the first half of 1987, advising on five bids for public companies worth £1.6bn.

S. G. Warburg, traditionally one of the top three bid advisers with a particularly strong reputation for defence work, was in third place in the first half of 1987, advising on 17 bids worth £2bn.

Kleinwort Benson, which was ranked second in the 1986 list, dropped to eighth position in the first half of this year, working on 11 bids worth about £1bn.

However, the survey gives only a rough guide to performance, since it does not cover bids for private or foreign companies. That means, for example, that it does not include one of the most innovative deals so far this year: the $560m bid for JWT Group, the big US advertising house, by WPP Holdings, a small UK company that was advised in the deal by Samuel Montagu.

LEADING BID ADVISORS IN 1987

Takeovers for publicly quoted UK companies, January-June

Bank	Number of bids	Value £m
Morgan Grenfell	20	4,043
Schroder Wagg	20	3,393
S.G. Warburg	17	2,047
Charterhouse	5	1,585
Samuel Montagu	16	1,323
BZW	11	1,214
Goldman Sachs	1	1,160
Kleinwort Benson	11	967
Robert Fleming	12	802
County Bank	8	782
Rothschild	11	778
Lazard	15	676
Hill Samuel	14	670
Hambros	10	597
Henry Ansbacher	8	580

Bids for publicly quoted UK companies, either completed, lapsed or launched between 1-1-87 and 30-6-87, excluding partial tender offers.

Takeover Code move will bolster regulation

By Clay Harris

THE TAKEOVER panel will act shortly to remind directors that all are responsible for the conduct of their companies during bid battles. The revision of the Takeover Code is intended to be a forthright restatement and strengthening of existing policy.

The panel, which oversees the self-regulatory framework governing British takeovers, believes that the position has to be spelt out in the wake of such bids as that for Distillers by Guinness, where strategy was made and implemented by a small group of directors and outside advisers.

The changes in the code have emerged from ideas floated by Mr Robert Alexander, the panel's new chairman, that companies establish special committees of non-executive directors to vet behaviour during a bid. These were variously called "audit" or "offer" committees, but now appear unlikely to be a part of the panel's final draft.

BA aims for 'yuppie' market with custom-made exotic tours

BY DAVID CHURCHILL, LEISURE INDUSTRY CORRESPONDENT

BRITISH AIRWAYS is planning to sell special custom-made holidays to exotic destinations such as Hng Kng and the Seychelles, aimed at the "yuppie" leisure traveller.

The move, announced yesterday, is in response to the fierce price competition in the troubled package holiday market in Europe.

Mr Jim Harris, BA's marketing director, described the price competition as suicidal. He admitted that BA was concerned at the state of the market.

BA is the fourth largest UK package tour operator—trading through such names as Enterprise and Sovereign Holidays—but last year BA Holidays, its tour operating subsidiary, lost £4.8m.

The airline is hoping to make a profit from BA Holidays this year, Mr Harris said. "But we are worried that too much price competition is leading to a lowering of standards, and that must be bad for the holidaymaker."

Package tour operators this summer are facing severe difficulties because fewer holidaymakers than expected have booked a package holiday.

The problem arises because the operators have increased the number of holidays on offer by about 30 per cent while demand has risen by only about 10 per cent.

BA, however, believes there is a new opportunity in the fast-growing long-haul market, which it estimates will expand by about 25 per cent this year.

The new BA operation is called Tailor Made Tours and is part of its Poundstretcher long-haul travel company.

Mr Des Hetherington, Poundstretcher's managing director, said Tailor Made Holidays "are somewhat more expensive than the traditional brochure holiday but this does not bother our clients a bit."

MORE THAN 8m foreign visitors overcame their fears of Libyan bombs, terrorist attacks and the fall-out from the nuclear accident at Chernobyl, Soviet Union, to visit London last year, according to the London Tourist Board, writes Alice Rawsthorn.

The board expresses concern about the shortage of hotel accommodation and coach parking facilities in London.

Many guest houses and small hotels are filled by homeless families rather than tourists.

● British Airways passenger traffic in the April-June period was well above last year's depressed level but also higher than the 1985 total, writes Michael Donne.

Figures for the first quarter of the financial year show that the number of revenue passengers was more than 4.9m, up 17.4 per cent compared with the 4.18m in the first three months of 1986-87.

If package holiday traffic carried by British Airtours is included, the overall passenger figure for the BA group is more than 5.87m, up 19 per cent.

NO 15—S/8½

During the first quarter, European short-haul traffic rose by 15.3 per cent to reach 3.68m, while long-haul traffic, including flights over the North Atlantic, rose by 24.1 per cent to reach just over 1.22m.

OFT curbs scope of poster deal inquiry

By Clay Harris

THE Office of Fair Trading made clear yesterday that the Monopolies and Mergers Commission investigation into the share of the advertising poster market held by MAI, the financial services group, would not affect any site disposals already completed.

Although the inquiry, ordered last week by the Trade and Industry Secretary, arose from MAI's £36m takeover in January of London and Continental Advertising Holdings, it will use MAI's post-acquisition and post-divestment market share as a starting point.

There was no question of reversing MAI's subsequent sale of some sites to Arthur Maiden and to a company controlled by Primesight, but in which MAI has a passive 15 per cent stake.

LCAH's London & Provincial and MAI's Mills & Allen were already Britain's largest roadside poster contractors before the merger.

City orders £5m telephones

BY NICK BUNKER

STOCKBROKERS and their clients will have another 4,000 private telephone lines provided by the Stock Exchange this autumn after an agreement signed yesterday by the exchange and Sir John Clark, chairman of Plessey, the telecommunications group.

A Plessey-led partnership with GEC, the electrical group, has won a £5m contract to supply the exchange with a new System X digital telephone network to replace its existing private STX service.

The exchange said it needed the new system to help to carry a volume of calls that has increased dramatically since last year's Big Bang deregulation of the stock market.

Since last October, when the exchange went over to a system of dealing almost entirely over the telephone, the number of lines in use on the old system has been double the 4,500 in use in use in early 1986.

System X will allow the exchange to expand the present network from 9,000 lines to an initial 13,000, although the system has a theoretical capacity of 18,000, Plessey said.

The Plessey-led partnership fought off rival tenders from competitors including Ericsson, British Telecom, Northern Telecom and AT & T/Philips. Mr George Hayter, Stock Exchange information services director, said Plessey had won the contract partly because it had the capacity to operate the network via sattellite connections to link the London exchange to overseas brokers and investors.

The exchange's previous STX system—which used a Plessey "strowger" mechanical exchange—was installed to link member firms in 1969 and was equivalent to the telephone network of a town the size of Dover. Since 1973, it has also linked stockbrokers to their clients.

Jaguar to lease in W Germany

BY JOHN GRIFFITHS

A JOINT venture to take Jaguar into the West German luxury car leasing market has been set up with the company's West German distributor and Lombard North Central, the financa house arm of National Westminster Bank.

Mr Peter Cottle, manager of the parent Jaguar Cars Finance, which has been operating in the UK as a joint venture between Jaguar and Lombard since 1984, said yesterday it should provide significant opportunities in Jaguar's toughest export market.

He said this was because the West German luxury sector was domintaed by leasing deals because 95 per cent of payments were tax deductible, compared with 65 per cent in the UK.

Jaguar expects to sell about 2,500 cars in West Germany this year, out of about 48,000 worldwide.

The market is a paradoxical one for Jaguar. It is the heartland of its two fiercest rivals, Mercedes and BMW, and is therefore one in which it is keen to make progress and more firmly establish itself as a genuine competitor.

However, it is also the one in which it has made slowest progress. The company recently hinted that it was prepared to grow more slowly in West Germany, citing the strength of the D-Mark—which means that more profitable sales can be made elsewhere—and the advanet of the 7-Series BMW.

This model has sparked a sales battle between the two West German manufacturers which, it is suggested, Jaguar should keep out of temporarily.

However, the launch of the joint venture company suggests that Jaguar's absence from the leasing sector may also have been a factor in its slow West German sales growth.

VAG(UK) lifts taxable profit by 6%

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VAG (United Kingdom), which imports Volkswagen and Audi cars and MAN commercial vehicles from West Germany, lifted taxable profit the year to last September 30 by 6 per cent, from £25.13m to £26.64m. The company also increased the dividend payment to its parent, the Lonrho conglomerate, by 5.5 per cent, from £18m to £19m.

The pay of Mr Michael Heelas, chief executive, rose by 15.5 per cent, from £77,000 to £88,935. The company's employees apparently benefited from the strong performance, because the number earning between £30,000 and £35,000 a year jumped from 10 to 15. The number of employees rose from 904 to 942.

VAG(UK) turnover last year increased from £642.6m to £692.6m. Its tax payment rose from £24,000 to £1m, leaving the net profit at £25.62m against £25.1m.

The company had £21.88m in the bank at the end of September 1985, but that was reduced to £10.47m last year. At the same time its commitments in the foreign exchange markets were reduced from £69.6m to £11.3m.

Last calendar year VAG (UK), which is neck-and-neck with the Nissan importer in contesting first place among traditional vehicle importers in Britain, sold 109,237 cars in the UK for a 5.8 per cent market share, compared with 103,877 and a 5.67 per cent share in 1985. About 12,835 MAN-VW commercial vehicles were also registered in the UK, up from 11,543.

Nissan takes up option on site

NISSAN of Japan yesterday formally exercised its option to acquire the full 736-acre site at Washington, Tyne and Wear, envisaged for its car production operations.

Until now its UK subsidiary, Nissan Motor Manufacturing (UK) has been occupying only 297 acres

British Telecom may be forced to compensate users

BY DAVID THOMAS

BRITISH TELECOM may be forced to pay its customers if it fails to provide new lines or to repair faults within a specified period.

Professor Bryan Carsberg, director general of the Office and Telecommunications, the industry's regulatory body, issued this warning in a lengthy statement yesterday in response to recent concern about BT's quality of service.

Oftel is also pressing BT to publish regular information on its quality of service, and Sir George Jefferson, BT chairman, said last night the company would publish these figures, particularly those of relevance to residential and small business customers, in the autumn.

However, Prof Carsberg also issued previously confidential BT figures which suggest that the quality of most of BT's services has gradually improved since 1981.

BT believes these figures justify its claim that its services have not generally deteriorated since privatisation.

In the past two weeks, the company has been subjected to a barrage of allegations of declining service quality, including a survey of public opinion released by the National Consumer Council pointing to widespread dissatisfaction with BT's services.

Prof Carsberg said he probably could not seek penalties against BT unless the subjective measurements were back up by more objective data.

He was therefore releasing quality of service information given to him by BT last year. This showed a gradual improvement in most of BT's basic services between 1981 and 1982 and 1985 to 1986.

For example, 1.7 per cent of local calls and 4.2 per cent of long-distance calls failed because of network faults in 1985-86, compared with 2.7 per cent of local calls and 5.9 per cent of long-distance calls in 1981-82.

Oftel is conducting its own surveys as an independent test of BT's figures and its next survey will give particular attention to fault repair, directory inquiries and public call boxes because concern has been expressed about these.

However, Prof Carsberg concluded that the information available on most services "does not demonstrate a need for further regulatory action to increase financial incentives for improved performance."

But, he added he was concerned by "the evidence I have seen in complaints that BT has a poor record in providing new exchange lines and connecting lease lines on an agreed date."

Oftel is also closely examining reports that BT's quality of service has deteriorated this year because of the strike by BT staff earlier this year and teething problems in introducing new digital exchanges, particularly in parts of London.

Strength of manufacturing output confirms sharp rise in growth

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE STRENGTH of the recent upturn in Britain's manufacturing output was underlined yesterday by official figures showing another good performance in May.

The Central Statistical Office said that its provisional figures suggest that manufacturing production rose by 1 per cent in May compared with the previous month.

Monthly statistics are frequently erratic and often subject to substantial revision, but the May outturn confirms the sharp acceleration in growth apparent since last autumn.

Taking the latest three months together, manufacturing output was 1 per cent higher than during the previous three months, and 4.5 per cent above the comparable period a year earlier.

Government statisticians believe that this latter year-on-year rate probably represents the underlying trend of output growth, which is the fastest for several years.

The recovery in manufacturing since the start of last year – output fell in the second half of 1985 – was given a substantial boost by the sharp decline in sterling's value last September.

Some of the competitive gains have been lost as the pound has appreciated during 1987, but manufacturers have continued to perform well in both domestic and overseas markets.

Among individual sectors which have shown particularly fast growth are metal products, motor vehicles, electrical and instrument engineering.

Despite the recent improvement, manufacturing production, which declined dramatically during the 1980-81 recession, is still around 1.5 per cent below the peak level of 1979.

The latest figures were welcomed in Whitehall as further evidence of the buoyancy of the economy as a whole.

Minister criticises British aid policy

By Peter Montagnon

MR ALAN CLARK, the Trade Minister, yesterday sharply criticised British aid policy with a warning that companies would lose business in overseas markets unless aid was more commercially orientated.

His remarks came in a speech to the Advisory Council of the Export Credits Guarantee Department in which he delivered a strongly worded critique of last month's House of Commons Foreign Affairs Committee report on aid.

The report is widely thought to reflect the thinking of the Overseas Development Administration which runs Britain's aid effort. Mr Clark's own Department of Trade and Industry has no direct responsibility for aid.

He said the report reflected "the kind of intellectual imperialism which will be tolerated less and less by our customers."

It harped too much on the need for the ODA to devote more resources to appraisal and administration of development projects, he said.

"I honestly believe that this notion that, before an aid package can be agreed, a lot of visiting accountants and civil servants should pick over the client country's economy and decide whether it is in their best interest, is completely out-of-date – both in terms of doctrine and practicability," he said.

Mr Clark was careful to avoid discussing one of the committee's conclusions that the so-called Aid and Trade Provision (ATP), under which aid funds are earmarked for the support of export contracts to developing countries, should be removed from the UK's main effort and administered separately by the DTI.

Mr Clark is known to favour such a move, provided it is associated with increased funding, although some of his senior officials are more ambivalent.

In general, aid policy should aim not so much for a simple transfer of wealth to developing countries, but more for "a closer partnership based on mutual recognition of profit and advantage, he said.

This would enhance public support for the aid programme and allow its budget to be increased. Unless the pattern changed there was "a serious danger, not just that Britain and British industry will be the poorer but that the whole status of foreign aid in the eyes of the public will diminish."

Mr Clark added that the ATP scheme could be improved if it were made more easily accessible by smaller companies seeking aid support for their overseas business. Among the changes should be a greater use of soft loans rather than direct grant and a greater freedom for developing countries themselves to decide how aid money should be spent.

Alice Rawsthorn reports on Next's plans to revolutionise home shopping

New forces challenge mail order

IN THE LAST month or so, while the retail stores have been busy with summer sales, the mail order industry has dispatched its new winter catalogues through letter boxes across the country.

On the surface the industry's prospects are rosier than for many years. Most of the big companies in mail order – or home shopping as they prefer to call it – have been hauled out of the doldrums of the early 1980s. Moreover, after years of decline, mail order sales outpaced retail sales in the first half of this year.

Yet the underlying picture is anything but rosy: not least because, after years of consolidation, new forces are emerging in the mail order industry.

Freemans, one of the more dynamic of the mail order houses, already bears the benefits of its acquisition of the Warehouse fashion group last summer. Marks and Spencer, the retailing group, is still mulling over whether to develop its mail order experiment with N. Brown, another established house.

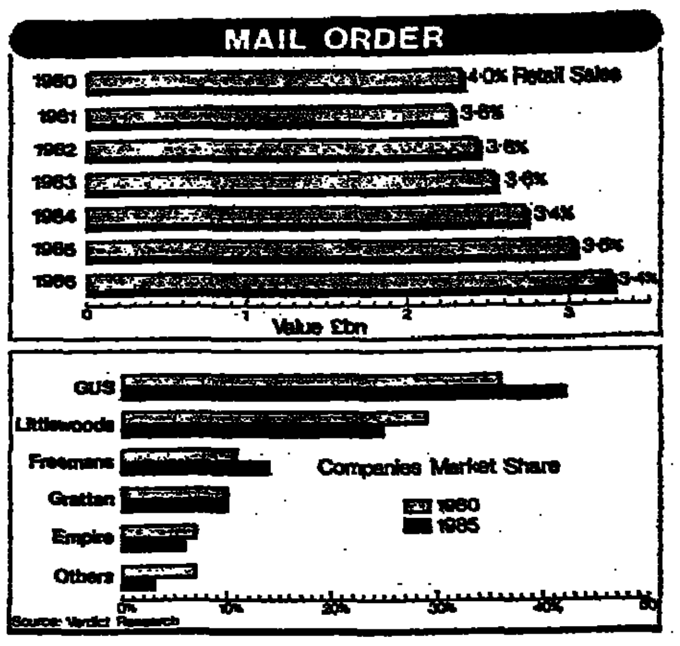
However, the greatest threat to the status quo is Next, the retailing group which revolutionised retail shopping in the early 1980s and plans to do the same for home shopping through its merger with the Grattan mail order business.

Next proposes, in the words of Mr David Jones, its deputy chief executive, to "break the mould" of the mail order industry. The planning for "Nextmail" – as it is code named – is complete and the group is in the final throes of preparation. Earlier this week it acquired Dillons, a chain of newsagents, to provide collection points for its mail order customers. The first Next catalogue is scheduled for publication early next year. In the meantime the home shopping industry is waiting and watching.

The heyday of mail order was in the 1960s: the days when Mr Harold Wilson treated trade union leaders to beer and sandwiches in Downing Street and unemployment was a faint memory from the 1930s. Conspicuous consumption entered the lives of the British working class for the first time and buying on extended credit terms from the glossy pages of a catalogue matched the mood of the moment to perfection.

The industry gathered momentum through the next decade. But just as it had thrived with its working class customers in the 1960s and 1970s, so mail order faded when they bore the brunt of economic recession in the early 1980s.

Many of the small companies collapsed. The larger houses survived, chiefly by effecting structural improvements such as tightening stock control and weeding out bad agents. But these companies emerged from the hard times into a very different trading environment. The "retailing revolution" had brightened up shops and consumer credit – the catalogues' traditional advantage – was freely available.



Mail order's share of retailing expenditure slipped from 4.2 per cent to 3.6 per cent between 1979 and 1981, according to Verdict, a retail consultancy, and has fallen further to its nadir of 3.4 per cent in 1984 and 1986.

The industry has responded by livening up its catalogues, chiefly in liaison with outsiders. Thus Grattan is involved with Next; Freemans with Warehouse; and Littlewoods has drafted in Travilla, a Hollywood designer who works with the stars of the soap operas, Dallas and Dynasty.

More recently Empire Stores has begun to work with the Burton Group, while its new managing director – Mr Michael Harris, who arrived last month from Great Universal Stores – has begun a thorough review of its business.

Mail order is also attempting to attract a new generation of home shoppers by producing tightly targeted catalogues – or "specialogues" – for clearly defined consumer groups. All the large houses have introduced specialogues: most devised to add younger, more affluent consumers to their traditional market. Freemans, for example, says that the "vast majority" of sales of its Bymail specialogue come from newcomers to mail order.

Yet the specialogue is scarcely a panacea for the industry's problems. First, the concept is in its infancy. Secondly, profit margins are far lower than those of the traditional catalogues.

Another hope for the future is electronic shopping. GUS and Littlewoods are already involved with viewdata. And GUS is now considering whether to experiment with cable television. But these projects are still at a nascent stage.

In the meantime improving standards of customer service is perceived as the next step forward. Littlewoods is upgrading its systems to introduce guaranteed delivery within two or three days early next year. GUS is investing in automation to offer a similar service.

Yet all this activity pales in comparison with that of Next, which has spent the past year analysing every aspect of the mail order business to devise its "Nextmail" formula. Next is understandably coy about its plans for the catalogue.

The established houses chirp cheerily, in public at least, about Next's arrival. The "party line" is that any attempt to introduce new customers to mail order must be good news for the industry. But they would say that, wouldn't they?

Cashless shopping moves step closer

BY HUGO DIXON

CASHLESS shopping came a step closer in Britain with the publications yesterday of proposals on how the commercial arrangements for electronic payments services will be worked out.

The proposals, which have been prepared by Eftpos UK, the clearing company owned by Britain's clearing banks, are designed to ensure that there is flexibility in the services being offered and competition between the financial institutions offering them.

They apply directly to the first stage of the cashless shopping scheme being planned for Leeds, Southampton and Edinburgh for the end of next year. However, they set the tone for the relationships which will prevail when the scheme goes nationwide later in the decade.

The Association of Payments Clearing Service, Britain's umbrella clearing organisation of which Eftpos UK is a member, also published details of how the membership of Eftpos UK will be expanded to take in new members, such as building societies, which are keen to become involved in cashless shopping.

The commercial arrangements are important because they will determine who gains the most out of cashless shopping – financial institutions, retailers or consumers – and which financial institutions come out on top. The row between Barclays Bank and retailers earlier this year over the introduction of its Connect debit card, the first of a series of cards which pave the way for cashless shopping, centred on the commercial arrangements involved.

The central thrust of the new proposals is that Eftpos UK will not be involved in negotiating commercial arrangements, except in a very minimal way. Earlier proposals were shot down by some of the banks because they gave Eftpos UK a central role in such negotiations.

"Business Service Specification for the Eftpos UK inaugural service – public consultation document." Free. Eftpos UK, 32 City Road, London EC1Y 1AA.

McDonnell Douglas plans jobs expansion

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A £12M EXPANSION programme in Britain planned by McDonnell Douglas of the US is expected to generate some 700 additional jobs in areas throughout the country.

McDonnell Douglas Information Systems is part of the McDonnell Douglas aircraft, missiles, space and systems group, which is based in St Louis, Missouri. It employs more than 1,800 in Britain in support of the company's computer systems activities and plans to build a facility in Hemel Hempstead, north of London, employing an extra 300, bringing total employment at that location alone to 1,100.

Mr Martin Jones, manager for the UK, says the company plans to employ an additional 400 staff at its 30 other locations through the country.

The company has achieved compound annual growth of about 30 per cent in the UK over the past 10 years, and in the past two years alone has invested £20m in new buildings and land.

Additional facilities have been acquired in the Midlands, Northern Ireland, London and Bristol.

Mr Jones said the company continued "to make strides in all areas of business," including computer systems and networking activities. "We are now enjoying increased demand for our systems from some of the largest commercial, financial and industrial organisations in the UK.

"We also continue to pioneer software development in Computer-aided Design and Manufacturing (CAD-CAM), offering design engineers and manufacturers fast and efficient solutions, essential in maintaining profitability in the increasingly competitive international arena.

"We are developing further software products for a range of architectural land construction applications, and are pioneering new developments such as geographic information systems. The latter reflects the importance now attached to environmental issues, particularly in the public sector."

● FT LAW REPORTS

Bank not liable for loss on non-negotiable cheque

REDMOND v ALLIED IRISH BANKS PLC

Queen's Bench Division (Commercial Court): Mr Justice Saville: May 22 1987.

A BANK has no duty to *advise* a customer that risks attach to something he wishes to do, unless he has sought its advice; and accordingly, where a customer wishes to pay into his account endorsed non-negotiable cheques marked payable only to the account of another, the bank's failure to warn him that dealing in such cheques is risky does not render it liable for his subsequent loss.

Mr Justice Saville so held when dismissing a claim by the plaintiff, Mr Redmond, against the defendant, Allied Irish Bank plc, for loss incurred as a result of his paying three non-negotiable cheques into his account.

HIS LORDSHIP said that Mr Redmond was a customer of the Allied Irish Bank. On March 18 1982 he went into the Manchester branch and paid into his deposit account two cheques totalling £2,800.

He wished at the same time to draw out the value of the cheques paid in. Since his deposit account was denominated in Irish currency the bank applied the sterling rate and Mr Redmond received only £2,768.13 as a result of the transactions.

On March 22 1982 Mr Redmond effected a similar transaction with the same branch in respect of a cheque for £1,500. He received £1,481.

Each cheque was drawn by *Wagon Finance Ltd* on Williams and Glyn's Bank. Each was made out to an individual payee or order and was crossed bearing the words "not negotiable —account payee only."

Mr Redmond was not the payee but each cheque appeared *to bear the general endorsement* of the named payee on the back. Mr Redmond himself endorsed the third cheque at the bank's request, but did not endorse the others.

According to Mr Redmond *the reason he dealt with the* cheques in that way was because a Mr Gaynor, whom he knew well and trusted, had asked him to do so. He said that Mr Gaynor had explained he *did not want to put* the cheques through his own account for tax reasons. As soon as Mr Redmond got the money from the bank he handed it over to Mr Gaynor.

In 1983 Wagon Finance commenced proceedings against the bank alleging it had wrongly converted the cheques. It was common ground that none of the holders of the cheques ever had good title, and it appeared that they got into circulation through fraud to which it was not suggested Mr Redmond was *a party*.

In summer 1984 the bank compromised Wagon Finance's action but debited Mr Redmond's account with the face value of the cheques at the then current rate of exchange. He became out of pocket by I£5,183.

Mr Gaynor had disappeared. The whole case had proceeded on the assumption that the bank was entitled to be indemnified by Mr Redmond.

That assumption was *prima facie questionable, at least in* relation to the cheques which Mr Redmond did not endorse: for it seemed to involve the proposition that Mr Redmond impliedly agreed to indemnify the bank against the consequences *of its own negligence* in agreeing to collect and pay an "account payee only" cheque into the account of another.

However, the point did not arise, and was not argued before the court.

What *Mr Redmond alleged* was that the loss he had sustained through the bank's debiting his account resulted from its failure to warn him that dealing with such cheques was risky. The words "not negotiable" *on the cheques* meant he could not have or give a better title to them than the person from whom he had obtained them. He said he was not warned that he *might* be liable if any of the holders up the line had no good title.

Mr Redmond asserted that *if* he had been given any such warning or advice he would not have gone ahead with the transactions.

There was clear authority for the proposition that a bank owed its customer a duty to take reasonable care and skill in interpreting, ascertaining and acting in accordance with the customer's instructions (see *Selangor [1968] 1 WLR 1555* and *Karak [1972] 1 WLR 602)*.

Mr Wallace for Mr Redmond submitted that in the present case the circumstances were such that that duty required a bank to give a warning or advice about the risks in dealing with the cheques.

That was not so. A duty to take reasonable care in interpreting, ascertaining and acting in accordance with the instructions of a customer was something wholly different from the duty suggested by Mr Wallace, *which was to warn* against, or advise on the risks inherent in carrying through that which the customer wanted to do.

The bank/customer relationship created no such duty, nor was any *such* duty created by any of the circumstances on which Mr Wallace relied. If a customer sought advice or was voluntarily given advice, other considerations might well apply, as would be the case where any special fiduciary relationship arose.

In such a case as the present there was no basis for a duty to advise or warn a customer that there were risks attendant on something which the customer *wished to do. Such a duty,* unlike the duty held to exist in *Selangor,* was not required in order to give efficacy to the contractual relationship between the parties. There was nothing to suggest that the circumstances were such that some duty in tort was owed by the bank to Mr Redmond.

It followed that on Mr Redmond's own version of events his claim failed.

The court was not persuaded, however, that Mr Redmond's recollection of what happened was correct. It was satisfied on the evidence that the bank did seek to explain to Mr Redmond the risks in dealing with such cheques. Whether or not he understood was a different matter.

Judgment for the bank.

For Mr Redmond: Adrian Wallace (Linder Myers, Manchester).

For the bank: Mark Hapgood (Palmer Cowan).

By Rachel Davies
Barrister

IN GERMANY THEY CALL IT "SCHICK".

WITH THEIR USUAL DISREGARD FOR ROMANCE, THE AUDI ENGINEERS PREFER: "EINE UMFASSENDE NEUAUSWERTUNG DER AERODYNAMISCHEN WERTE."

THE REAR of the new Audi 90 looked as though it wouldn't be out of place on a race circuit.

"VERY FASHIONABLE, very chic," we ventured.

THE FACES in the room dropped in unison. Audi's aerodynamics expert, Dr Burkhardt Leie, broke the stony silence in the politest possible way.

"IT'S NOT fashion, it's not chic. It's a major reevaluation of aerodynamic values."

TRY TELLING that to the driver turning heads on Munich's Maximilianstrasse, we thought.

DR LEIE continued: *"Nothing on the Audi 90 is there for show. The spoiler, for example, increases the down force of air on the rear of the car, giving it greater stability at speed.*

"AS AIR flows across the rear section it meets the spoiler. The natural shape of the spoiler causes the air to rise. But what goes up automatically comes down on the other side. This increased down force reduces the incidence of lift and improves stability.

"THERE IS also an effect on the 90's Cd factor of some 2%."

"AH, COEFFICIENT of drag," we said.

"YES. WITH the 90 we wanted to obtain a Cd factor of 0.31. To you the car may look fast, but to us it is merely the result of minimization of air resistance.

"YOU MUST remember, that the Audi 90 is a powerful car. A very powerful car," Dr Leie continued.

"TOP SPEED 128 mph on your autobahns," we chimed in.

"EXACTLY. THE 2.2 litre version can develop 100kw/136bhp. Such power would be wasted without the correct optimization of the basic body all the way through to blower stream velocity testing. By lowering the resistance, we reduce fuel consumption at speed. In addition, our work enables us to improve the car's flow-noise and handling characteristics."

BLOWER STREAM velocity? Dr Leie's enthusiasm was in danger of reaching gale force. We attempted to slow him down.

"SO, HOW do you optimize the car's shape?"

"QUITE SIMPLE. We develop the basic shape of the body in a wind tunnel with a model scale of 1:4."

"AND THEN?"

"ONCE THE shape is right, there are obviously requirements in terms of styling, comfort and legal regulations that must be incorporated. These, naturally, produce a deterioration in the drag coefficient."

"NATURALLY," WE replied without total conviction.

"OUR TASK was to take these restrictions and devise a way to reach our target of 0.31.

"THE OPTIONS included the aerodynamically-beneficial design of certain exterior components."

"FOR EXAMPLE?"

"THE CAREFUL improvement of the external mirrors, cooling air-feed system and soundproof panelling beneath the engine and gearbox."

"HOW LONG did you spend in the wind tunnel?"

"2,500 HOURS, overall. We tested production line vehicles with full engines, closed front panels, road going wheels and grilles in the Wolfsburg wind tunnel. We took measurements at wind speeds of 120, 140 and 160km/h."

NEVER MIND wind speed, Dr Leie was in full flow.

"THEN WE conducted an additional study in Europe's largest wind tunnel located in Holland. We tested for the effect of open side windows on the Cd value and so on."

"MUCH OF a difference?" we asked, bracing ourselves for the inevitable.

"WITH THE front window open, 0.0008% of a km/h."

OUR MINDS started the mental arithmetic. 0.0008% was precious little to sacrifice in a car capable of 200km/h.

AND YOU could see where Dr Leie's handiwork had contributed. The side windows were flush with the body skin. The door handles were flush mounted for an uninterrupted body shape.

THE FRONT and rear aprons were gleaming one-piece designs. The bonnet sloped gently. And, of course, there was the rounded shape with that spoiler.

WE THANKED Dr Leie and made our way to the exit.

TURNING FOR one last look at the car, we caught sight of the Audi 90's wider wheels.

"IMPRESSIVE WHEELS, mind you, very racy," someone said.

THERE WAS a certain consternation amongst our German hosts. Dr Jorg Bensinger, Audi's chassis and suspension expert, stepped forward wearing an air of indignation.

WHAT, WE wondered, was the German for 'déjà vu'?

Audi

DER NEUE AUDI 90. VORSPRUNG DURCH TECHNIK.

THE NEW AUDI 90 STARTS FROM UNDER £14,000. BROCHURES AND PRICE LISTS FROM AUDI INFORMATION SERVICE, YEOMANS DRIVE, BLAKELANDS, MILTON KEYNES MK14 5AN. TELEPHONE (0908) 679121. EXPORT AND FLEET SALES, 95 BAKER STREET, LONDON W1M 1FB. TELEPHONE 01-486 8411.

What to beware of when seeking career help

BY MICHAEL DIXON

"LOOKING at your career record, I don't see any serious snags. All the same me and my colleagues have met hundreds of people whose careers have fallen apart, not because they'd done something wrong to make it happen, but because they did nothing to prevent it. And I'd say that's the danger in your case.

"Unluckily your age means you're at a crossroads and if you make a mistake right now . . . well, though I don't want to sound overly dramatic, it worries me. So your problem, John, is what are you going to do about it?"

Those phrases will have a painfully familiar ring to at least half a dozen Jobs Column readers. I know from their letters and telephone calls that they have all heard words of advice on much the same lines during the past few weeks.

In case others of you are unable to guess where they heard them, I will provide a clue. It lies in the very next passage of the document spelling out the advice I have already quoted—although the words which come next are addressed, not to "John," but to the person advising him. The passage reads:

"The next stage will be the fee. But note that you do not discuss the fee until after your personal reading of the prospective client's problems. You don't want him thinking of our service when you talk money: you'll want him thinking about the lump in his throat . . . A good solution is to look down at your pad, appear to be figuring things out, and scratch out the numbers on the top of the pad. After about a long 20 seconds of silence and figuring, you look up and say, quite matter-of-factly:

"John, your fee would be X. The fee, as you probably know, is 100 per cent tax-deductible and there's a fair possibility you may have it returned to you in negotiations with your new employer. I don't want you to bank on that, but it's a nice windfall and many of our clients achieve it."

Yes, the document is a sales-training script for consultants employed by a company offering help to people anxious to recover from dismissal or otherwise wanting a change of career. The script was sent to me by a certain Stuart Rado who has a particular interest in such things.

Finding himself jobless six years ago Mr Rado — who lives in Miami Beach — signed up with a consultancy of that kind which had branches throughout the United States.

He was much impressed by its advertised claim of access to the "hidden" markets where the bulk of high-grade jobs change hands unbeknown to outsiders at all. He was also impressed by the consultancy's judgment that, although what he himself had seen as his personal strengths were in fact weaknesses, he had other outstanding talents only needing *professional marketing to win* him the key to some top executive washroom.

A few months and $3,500 in advance payments later, Mr Rado began to feel dissatisfied with the service he was receiving. He learned, for instance, that one of the "hidden employers" to whom the consultancy had sent his expensively produced curriculum vitae was a chicken-packer in Arkansas who did not expect to need even an assistant for at least 10 years.

First laugh

So he went to the manager of the branch he was dealing with and asked for his money back. The man said the company's policy forbade the return of fees. In that case, Mr Rado replied, there would soon not be a company to have a policy of any sort. Whereupon the branch manager laughed in his face.

It may have been that the consultancy boss was misled by Mr Rado's appearance. He is a *slender man with long face and* melancholy moustache. Perhaps the branch manager also overlooked the significance of one of the activities the dissatisfied client had specialised in before he lost his job. The activity was press and media relations in America where the libel laws are of course less thorny than *they are in the UK.*

Anyway, before long the consultancy found itself starring in a special investigation by one of the US's most popular television programmes, and very shortly afterwards went bust.

Moreover, its principal dissatisfied client — whose name, oddly enough, had been mentioned on the programme—began receiving piles of letters from people who felt they had been ill-treated in a similar way by other companies in the same business. Even clients who had gained a new job as a result regularly complained that they had been charged twice what the service was worth.

Stuart Rado took to helping the other victims to pursue their complaints. And from that day to this, being single and having parents with the means as well as the wish to support *his cause, he has devoted* himself to driving what he terms "bogus" careers-consultants out of business.

Four more have followed his first offender to the grave, the latest lamented being the 30-branch organisation whose sales-training script I have *quoted. And lest anyone should* think that companies practising such snappy selling routines are necessarily confined to the American mainland, I had better also quote from the newsletter circulated by the same organisation's chairman to its staff last autumn.

He said that he and a senior colleague would soon be making "an extended trip which will carry us to London, Zurich, Johannesburg, Hong Kong, Sydney and Melbourne; and later to Sao Paulo, Rio de Janeiro, Buenos Aires, Caracas and Mexico City. Remember, most US consulting firms *derive more than 50 per cent* of their business from international markets."

The danger to would-be career-changers from the sort of consultancy Mr Rado dislikes would therefore seem to be potentially international.

Here, however, I must emphasise a *counterwarning. Just because* some such companies have manipulated gullible people into paying much *for very* little, there is no reason to suspect that most let alone all careers-counselling concerns are of the same vulturish feather.

Many are fair

For instance, the Miami-Beach-based crusader stresses that "there's rarely a problem" with a consultancy which draws most of its income, not *from the men and women being* counselled, but from their ex-employers.

"Being sceptical by this time, I don't think that even those are somehow inherently incapable of shady dealings. It's the fact that employer-clients have a big legal fist that serves to keep things in line. And I'm ready to accept that direct-charging companies are often straight-dealers too.

"But in my book there are four warning signs that you ignore very much at your peril.

"*One is lit up by a claim of access to the hidden jobs market through executive contacts which can't be checked on.* Another is turned on by a claim to a very high success rate because the company is highly selective in deciding who to accept for counselling.

"The third *lights up when a* consultant starts undermining what you personally see as your strengths at the same time as buttering you up for other qualities that you'd depend on the company to market. And they do butter you up for sure. I just had a call about a bogus outfit from a lady who told me the last time she had been flattered so much had been in the back of a '58 Chevvy. The result was the same as well, she said.

"The fourth one is a bigger danger signal than all the others put together. It comes *on when a consultant asks for* money in advance. The only *wise thing to do then is smile,* pick up your papers and run—not walk—out the door."

HEAD OF UK FIXED INTEREST FUND MANAGEMENT

The chance to play a key role in an unbureaucratic team-orientated environment

This is an opportunity to run the Fixed Interest function in a Company with £1.5 billion under management. Currently about one third of the assets are in fixed interest investments and these are predominantly in Gilts.

The successful candidate must therefore have a background of at least five years' experience in UK Fixed Interest and will now be looking for the opportunity to take charge of this function. You would be assisted by two staff and as part of the senior investment management team you would be fully involved in contributing to the Company's overall investment strategy. You are likely to be aged around thirty with a degree or professional qualification in a numerate discipline.

The position carries an excellent compensation package, which includes a company car and a mortgage subsidy. To apply please write to: **John Sears and Associates, Executive Recruitment Consultants, Cavendish Court, 11/15 Wigmore Street, London W1H 9LB or telephone 01-629 3532 for a preliminary discussion.**

John Sears and Associates A MEMBER OF THE SMCL GROUP

International Investment Management

Europe **from $175,000**

Our client is an expanding private investment group with wide ranging business interests in Europe, North America and the Pacific. It has a substantial portfolio of investments in international equity and fixed income markets.

In this new post you will review and monitor the performance of the group's external fund managers, both in Europe and North America, and play an active role in the management of fixed income instruments, cash deposits and foreign currencies. You will work closely with the chief executive and other members of the investment division.

Probably aged over 35 you will already be at a senior level in banking, fund management, corporate treasury or in consultancy. Commercial awareness, flexibility and an ability to communicate effectively at all levels is essential. Initially the position will be based in Geneva with the possibility of a move to Paris. A competitive package will be offered.

Please write in confidence to John Cameron, quoting reference CF818, at 84/86 Grays Inn Road, London WC1X 8AE (telephone 01-404 5971).

CAMERON · SIMPSON
Consultancy · Search · Selection

An Eye for the Market A Head for Business

— Marketing at Datastream —

Datastream International is a market leader in the exciting world of financial information, providing software and data to some of the world's major decision makers. Our large databases provide on-line access to a wide variety of products and services such as: portfolio valuations, equity and bond research and investment accounting.

We want to build our Marketing Department with individuals who understand the market and can develop and implement future product plans and business strategies.

You may be currently working in a fund management, investment research or marketing role. Are you looking for an ambitious future *with a market leader that brings together finance and high technology?*

You will play a vital role in market analysis, planning future products and services, and increasing market penetration. You will be instrumental in Datastream's future growth, and will be responsible for taking products from the initial concept to launch.

Assistant Marketing Manager: £22K–£25K + Car
Marketing Executives: £16K–£22K
Benefits include bonus, pension and life assurance, medical scheme.

If you have the energy, experience and vision to accomplish this then we can provide you with your next exciting career step (and then the next...).

Call Nick Marsh, our retained consultant, to discuss your future potential at Datastream in more detail and to arrange an interview on 0753-854917 or 01-948 1183 (between 7–9 pm evenings) or send your c.v. to him at:-

BKI Management Consultants Ltd., No. 8 Sheet Street, Windsor, Berks., SL4 1BW.

DATASTREAM
Dun & Bradstreet International

Systems Manager

Investment Banking

City **c£40K plus car, bonus, benefits**

One of the world's leading international banking organisations is pursuing a vigorous policy of expansion in the capital markets allied to the establishment of one of the most advanced Information Systems departments in the City – their new worldwide development centre.

The Back Office and Settlements systems group is at the heart of this global development. An energetic, first rate Manager is now required whose skills include experience of:–

- management of large, complex projects
- banking, preferably investment banking systems
- IBM mainframe environments, database, 4GL etc
- formal development methodologies.

A project group of around twenty will report to you and there will be direct liaison at senior management level. Probably under 35, you will have proven management skills and be a highly effective communicator.

Career prospects are excellent within this fast expanding organisation with rewards that are commensurate with the responsibility. These include car, merit bonus, high basic salary and the usual range of banking benefits. To apply please write with your full C.V. to Stephen Garlick, Michael Page City, 39-41 Parker Street, London WC2B 5LH.

MP
Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

Faculty of Business and Management

NEW PROFESSORIAL AND RESEARCH APPOINTMENTS

As part of a major expansion in management development, research and postgraduate work, the University of Ulster invites applications for five Professorships and three research posts.

Professorships in:

Banking and Financial Services	(Coleraine)
Business Enterprise	(Magee College)
Financial Management	(Jordanstown)
Management Accounting	(Jordanstown)
Marketing	(Jordanstown)

Research Fellows or Research Officers at Jordanstown in:

Financial Management
Management Accounting
Marketing

Applicants should have an established academic and research record. For the professorial appointments senior management or consultancy experience *is desirable.*

Salaries:

Professorial Appointments: Salaries in the *professorial* range, the average of which is £26,585.
Research Fellow: £14,245-£18,210
Research Officer: £9,305-£14,825

Further details and application forms may be obtained from the **Staffing Officer, University of Ulster at Coleraine, Cromore Road, Coleraine, Co. Londonderry BT52 1SA (telephone Coleraine (0265) 4141, Ext 568). Closing date: 1 September 1987.**

University of Ulster

INVESTMENT COMMUNICATIONS

That vital link between us... and the market

Fidelity is one of the world's largest privately-owned investment Groups. Our status has been achieved by identifying an appropriate strategy for each of the investment markets in which we operate and adopting a universal approach to follow that strategy. Effective communication within our organisation is therefore critical and in response we are now *looking* for an investment professional to appoint as **Investment Communications Manager.**

The major responsibility of this role will be to ensure a thorough understanding of our investment thinking in various markets, including the strategy of our Unit Trusts and offshore funds, by providing a vital link between our Investment Fund Managers and our Sales/Marketing teams, on a global scale. This communication of Fidelity's *investment strategy will extend to the promotion of our* image as an Investment House to other institutions, to the press, and, naturally, to our client base.

It is an important liaison role which requires a number of qualities; sound analytical ability gained from an investment analysis background probably with an institutional broker, a thorough understanding of global stockmarkets, plus written and oral communication skills of the highest order, which include the capability to make *presentations to a variety of audiences.*

We expect the suitable candidate to be aged at least 27 and either a graduate or someone with a depth of market experience.

In return we will offer a salary in the region of £25K, depending on experience level, plus a generous package of benefits.

Please write to Sue Lingham, Fidelity International, 25 Lovat Lane, London EC3R 8LL.

Fidelity INTERNATIONAL

BERMUDA-BOSTON-HONG KONG-JERSEY-LONDON-NEW YORK-SAN FRANCISCO-SYDNEY-TAIPEI-TOKYO

Chief Executive UK Banking

Cardiff based Bank of Wales PLC became a member of Bank of Scotland Group in 1986.

Due to the forthcoming retirement of the present Chief Executive an outstanding opportunity presents itself for an ambitious, experienced Banker to participate in the further development of the Bank of Wales Group.

It is intended that Bank of Wales will create for itself a reputation as a dynamic regionally based, publicly listed UK Bank.

The appointed candidate, who will probably be in the 45-55 age bracket, will have wide corporate and general banking experience and will be expected to lead and direct this young Bank and an enthusiastic Management team into a new period of growth.

A sound knowledge of commercial and property lending, corporate advisory services, asset backed financing and high net worth personal banking is essential.

The remuneration package offered will be commensurate with the qualities demanded.

Please reply in confidence, with full CV to:—
***Mr A. J. R. Thomson,** Divisional General Manager (Personnel), Bank of Scotland, PO Box No 133, 62 George Street, Edinburgh EH2 2RA, marking the envelope 'Bank of Wales'.*

A direct line to the executive shortlist

To secure the best appointments at a senior level needs more than good advice, accurate objectives and succinct presentation.

InterExec not only provides career advice, but also a unique service to bridge the critical gap between counselling and the right job. Why waste time and money on unproductive letters?

InterExec clients do not need to find or apply for appointments. Over 50 full-time staff with over 5,000 unadvertised vacancies p.a., enable InterExec to offer the only confidential Executive placement service.

What is each unproductive day costing you?

For an exploratory meeting without obligation, Telephone InterExec on 01-930 5041/7

A member of the Career Development & Outplacement Division

InterExec SMI

Landseer House, 19 Charing Cross Road, London WC2H 0ES.
Also at Birmingham, Manchester, Leeds, Bristol and Edinburgh

The one who stands out

DATA ANALYST

AIBD (Systems & Information) Limited wishes to recruit a senior data analyst to assist in the maintenance of its international bond database and production of its services. Applicants should have a knowledge of the *Eurobond market and an understanding* of the instruments traded in the market. Salary will be negotiable and will reflect the experience of the successful applicant. In addition, excellent benefits are provided including a mortgage subsidy and private health scheme.

Please apply in writing to:—

AIBD (Systems & Information) Limited

International House, 1 St Katharine's Way, London E1 9UN

Specialist Energy Team

Corporate Finance Executive

One of the leading UK merchant banks, J. Henry Schroder Wagg & Co. has a vacancy for an ambitious executive to join the Specialist Energy Team within its Corporate Finance Division. Responsibilities range from financial and technical analysis of national and international oil and gas companies to the generation of innovative deals for clients and prospective clients, and maintaining close working relationships essential for effective client-support.

The successful candidate will be a graduate, probably mid to late twenties, with experience of working on financial analysis in UKCS upstream oil and gas. A professional background, whether *technical or financial in a banking or industrial environment, is less important that an ability to* work as a member of a small, highly motivated team. Experience in the use of Lotus Software and IBM PC would be an advantage.

The total rewards package comprises a competitive salary and an attractive range of benefits *including mortgage subsidy and generous non-contributory pension scheme.* Opportunities to progress within the Corporate Finance Division and the Schroder Group generally are excellent.

Applications in writing, with full CV, should be sent to Jo Heigho, J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London EC2V 6DS.

Schroders

Jonathan Wren

SPOT & FORWARD DEALERS

£Negotiable

A major European bank, with a well established presence in the City, has a strong commitment to the further development of its dealing activities. This planned expansion now facilitates the recruitment of:-

TWO SPOT DEALERS
One of which should have specific experience of dealing in French Francs.

TWO FORWARD DEALERS
Exposure to currency futures dealing would be useful although not essential.

Ideally, applicants will have had a good education and a minimum of two years' experience as spot/forward dealers within a major international bank. The successful candidates will receive a competitive salary, performance related bonuses and good banking benefits.

For a preliminary discussion in the strictest confidence please contact Karyn Rutherford on 01-623 1266 (daytime) or 01-444 1107 (evenings/weekends)

LONDON BRUSSELS HONG KONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

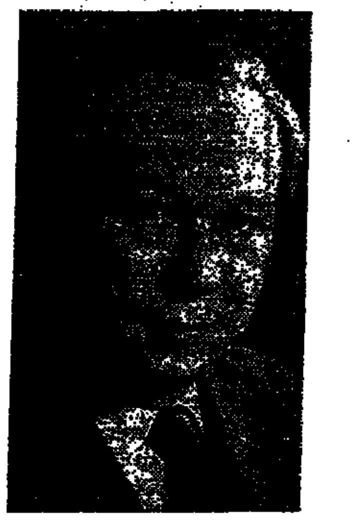
هكذا من الأصل

MANAGEMENT

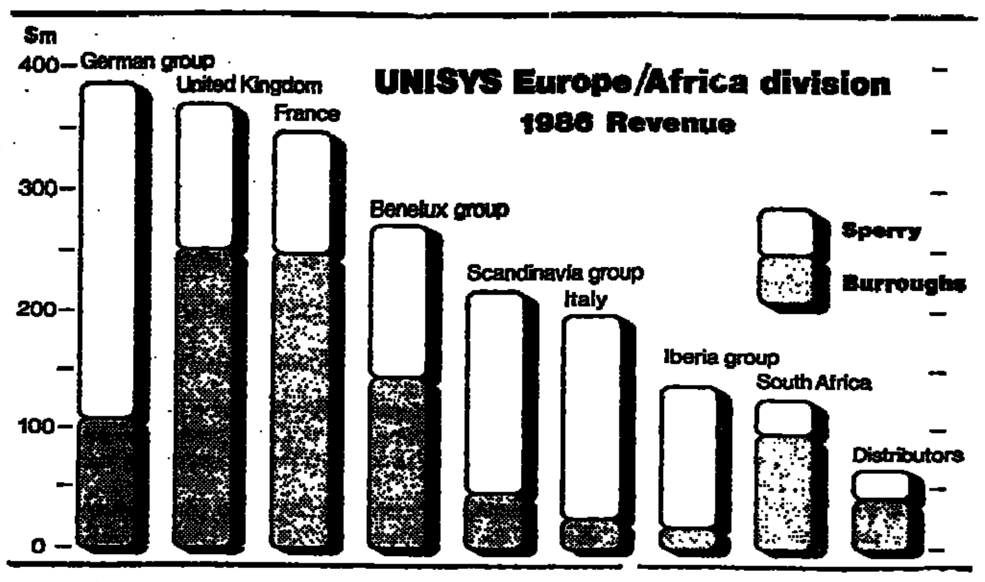
EDITED BY CHRISTOPHER LORENZ

Integration at a gallop

Terry Dodsworth finds that real progress has followed the Burroughs/Sperry merger



Michael Blumenthal: clung stubbornly to the idea of a merger



ONLY A YEAR OR so ago, the proposed merger of Burroughs and Sperry, two of the world's leading computer companies, was being written off as a takeover that would never work. It was, said the doom-mongers, primarily a defensive transaction, bringing together two weak companies to form an even feebler one. The new unit was likely to be even more vulnerable together than its constituent elements had been apart.

Given the unpromising history of non - conglomerate takeovers, this was a fairly predictable judgment. But in less than 12 months as a combined entity, Unisys, as the new company was renamed, has forced many of its detractors to think again. It has pulled together a coherent management team and defended its market share; it has cut costs, sold assets and restructured itself at a breakneck speed; and it has projected such a forceful image of itself that its share price has doubled.

A nine month campaign does not, of course, win a war. But Unisys, now the second largest computer company in the world, has nevertheless given its critics a lesson up to now on how to avoid frittering away the potential benefits of a merger. The objections to the original deal, a hostile takeover launched by Burroughs against bitter opposition by Sperry, were real enough: how could two sales teams which had spent years battling for markets against each other, suddenly be welded together into a harmonious combination? And how could two totally different computer product lines, designed to operate on their own proprietary systems, be integrated in some way?

The answer to these questions lies largely in the plan of campaign thought out by the Burroughs top management, and particularly by Michael Blumenthal, the out-going, cigar-smoking ex-US Treasury Secretary, who revitalised the Detroit-based group after becoming chairman in the early 1980s.

Blumenthal, who made his initial, abortive move for Sperry back in 1985, and then had a year to plot his successful renewed offer, clung stubbornly to the idea of a merger because of one over-riding strategic objective.

In his view, neither Borroughs nor Sperry was big enough to achieve the necessary clout in an industry which was becoming increasingly service-oriented: they needed to cut manufacturing costs, devote more effort to research and development, and shift resources into selling.

This may sound like a fairly typical argument in favour of size. But Blumenthal's view was nevertheless very different from the conventional wisdom in one important respect.

Most of his critics argued that in order to achieve the scale economies he was talking about, he would have to abandon one of the joint company's two product lines, thereby running the risk of losing a number of long-standing customers.

Blumenthal entirely rejected this idea, insisting instead that it was important to maintain the alternative ranges to maximise market share, while achieving manufacturing rationalisation by common purchasing policies and concentrating production facilities.

At the same time, he contended, the company needed to serve its customers for large mainframe computers with a wider product range. Unisys' strength has traditionally been in supplying mainframe computers to big corporate clients, but these sorts of customer have been rapidly moving to extend their computing requirements down to departmental and desktop levels.

While Unisys had plenty of products in these areas already, Blumenthal argued that the company needed to enhance its "entry point" system range. This is a process which implies more emphasis on service and marketing because what the computer company is selling is systems, or a network of products, which requires a great deal of planning and back-up support, rather than just raw computing power.

In particular, Blumenthal's thinking has centred on the service issue. Indeed, at Unisys' last annual meeting, he told shareholders that the days of unlimited 15 per cent annual growth in the computer manufacturing industry were over. A rate of around 10 per cent seemed much more reasonable, he said, and in this "more mature industry environment," Unisys' objective was to move towards a problem-solving approach.

If this made Unisys sound like a service company, he added, this was intentional. "We are a service business—the service of solving difficult problems for information management. This is, granted, a service with a high value added and with a rich technological content—but it is, nonetheless, a service. It is chiefly by keeping that service orientation in mind that we will grow."

These strategic expansionary objectives, however, would have been largely irrelevant if the sales organisation had failed to jell. Long before it pulled off the takeover, Burroughs had decided that the first few months of the new group would be vital in maintaining confidence in the business, both inside and outside. Hence the principles on which the operational merger was planned:

● First of all, the new management was determined to move forward as rapidly as possible. Its aim was to avoid any kind of uncertainty—about jobs, the structure of the group, or product policy—because it felt that doubt would have a stifling impact on both customers and staff morale.

● Second, Blumenthal took the view that there should be no favouritism in apportioning the top jobs—although, as the architect of the transaction, he emerged as chairman. As a result, the top management teams have been drawn widely from both companies.

● Third, the main elements of the reorganisation were pushed through swiftly, partly to raise cash — $2bn was raised selling the aerospace division and other assets — but also to reduce another area of uncertainty. About 16,000 jobs have gone in the last 12 months, bringing employment down to 98,000 as factories have been consolidated and the company's business concentrated almost exclusively on data processing technology.

● Fourth, Blumenthal launched himself into an intensive communications programme, explaining his policies, trying to maintain internal morale, and convincing clients that both ranges of equipment would be supported; customers would not be left with a huge investment in a line of data processing products on which development would entirely cease, he insisted.

● Finally, despite a great deal of scepticism, the new Unisys name was launched (after an internal competition) to emphasise the break with the past.

The development of Unisys' European structure is a good example of how these policies have worked out in practice. In terms of speed, the new group was put together, with virtually all of its senior managers in place, in a period of just about three months late last year. The top jobs were also clearly spread around, shared almost equally between former Burroughs and Sperry executives; and a new pan-European management structure was put in place to tighten to co-ordination of the national groups.

The aim of the new management structure, says Mias van Vuuren, Unisys' marketing director for Europe, is to make sure that centrally-determined European strategies are hammered home at local level.

Each national company, formed by integrating the old rival teams, is organised to sell machines in four broad product categories. These businesses—financial services; public sector and transportation; industrial and commercial; and indirect sales — are all fast-growing segments where Blumenthal believes that the group can, as he puts it, "secure substantial market shares" by concentrating its sales resources.

To bring this concentrated effort to bear, the manager of each of the product lines reports to his national chief executive; but he also has a dotted line of responsibility back to a headquarters-based European marketing manager, who is charged with reviewing and monitoring progress in each product area.

With this new structure in place, Unisys claims to be doing a little better than holding its market share, estimated at between 8 and 10 per cent, in Europe as a whole. Revenues of the combined European-African group, which amounted to about $2.1bn in 1986, rose by 15 per cent to $645m in the first quarter of this year, and in the second quarter are likely to show a similar increase—a rate of improvement which, after allowing for currency changes, is probably a little in excess of the overall growth of the market. While there have been some customer defections, there have also been some gains.

Whether this progress will be enough to satisfy Blumenthal, who has been said to be looking at other merger opportunities, remains to be seen. With sales of more than $400m in most of the main European countries, Unisys now has the size, says Graham Murphy, president of the Eurpean-African division, to put together the large sales teams it needs for the integrated markets it is pursuing.

But if Unisys is right about the demands of its customers and its own need for scale to cope with them, it might well feel the urge to make another predatory leap up the size league—after all, it is still only a fifth of IBM's size, despite annual revenues of $9.4bn. Murphy, indeed, concedes that further takeovers may not be out of the question; and after the last experience, no one at Unisys seems to be alarmed by the prospect.

Management abstracts

Baumol's disease, group technology and the National Health Service. T. Gambling in Financial Accountability & Management (UK), Spring 1987 (12 pages)

Defines "Baumol's disease" as the gap between costs and likely revenues in labour-intensive industries, in which costs are likely to rise at a rate greater than inflation; cites the NHS as an example, in which productivity improvement is inhibited because treatment of the sick is inherently "one-off" rather than by "batch production." Considers whether the concept of group technology, familiar in manufacturing industry, can be applied to the operation of the NHS through the identification of treatment-related patient groups, who require similar patterns of, e.g. surgery, medication and diet; examines its likely benefits in more efficient equipment use, layout and organisation.

Business autobiographies. N. Cole in Director (UK), April 1987 (4 pages)

Taking Victor Kiam's "Going For It" as a classic example of the ever-growing number of business autobiographies (Sir Ian McGregor and Lee Iacocca also spring to mind), looks at the important role of the "ghost writers" and describes how they work.

Enter the corporate treasurer. A. L. Blakesley in Director (UK), March 1987 (2 pages).

Points to the important contribution that can be made by corporate treasurers — in particular in foreign exchange management; regrets that, while corporate treasurers are confined to the bigger companies, the smaller companies, whose need might be greater, find it difficult to obtain this experience at reasonable cost.

Corporate experience in rewarding high individual performance. G. Hobbs in European Management Journal (UK), Spring 1987 (6½ pages).

Very briefly outlines the organisation structure of ITT with particular reference to its European operations; illustrates a typical compensation package for executives (headquarters has a heavy involvement in its design), distinguishing between cash and non-cash, and noting objectives; considers ITT's reward system which aims to recognise different levels of individual performance; describes the rewards in terms of direct cash, eg merit increases, indirect cash (stock options), and recognition awards; features a "merit income grid" which ranks salary increases according to performance and salary range.

Getting results from board meetings. M. C. Lauenstein in Directors and Boards (US), Winter 1987 (5 pages).

Part of the problem with board meetings is that they are taken up on routine matters and — in some cases — in pointless reiteration of written information presented in advance. Recognises that some chief executives do not really want a meaningful input from the board, but — assuming they do — advises on how to get results, eg, have an annual strategy meeting of one, two, or three days' duration; illustrates by relating "one sad tale of an abortive meeting."

Westwood Engineering. D. Oates in Director (UK), February 1987 (2 pages)

A better-than-usual company report, this splits into two parts — (a) how the garden tractor manufacturer has grown from small beginnings to have a US footing, much of it on the back of retaining the means of production within the company; (b) why the founder, Gerry Hazlewood, has taken more of a backseat role, having recognised that he was cramping everyone's style.

Advanced manufacturing technology and management development. M. R. Harrison in International Journal of Operations and Production Management (UK), Vol 6 No 4 (13 pages)

Considers the effects of AMT on management requirements and explores the traditional approach to management development from basic education and training to job experience; compares the benefits and limitations of two alternatives to managing organisational change — a systems model and a "champion of change" concept; finds that the "champion of change" approach provides for more entrepreneurism and, because it is based on the personal dynamicism of change leaders, its strength lies in resultant action rather than theory.

When power distorts the manager's mind. P. Thorne in International Management (UK), Mar 87 (5 pages)

Discusses how power can go to a manager's head and corrupt his or her behaviour; draws on psychological writings from the likes of Adler and lists the various forms of power — inter alia — physical, expert and personal; tabulates some tell-tale signs of power abuse.

Futures & Options

COCOA TRADER

Our client is a growing trading subsidiary of a large and well-established UK financial services group.

They are currently seeking a physical cocoa trader, ideally with at least five years trading experience and with some knowledge of futures trading. Interested applicants must be able to demonstrate a successful track record in his field and should be able to make an immediate contribution within a close-knit trading team. Applicants will also be considered from talented cocoa analysts wishing to make the transition to trading.

If you are able to meet the above criteria please contact Trish Collins or Katrina Webster on 01-256 6833 or send full CV in strictest confidence to Reed City, 94 Old Broad Street, London EC2M 1JB

REED...City

SENIOR CREDIT ANALYST

Package c. £17,000 + car - CARDIFF

An excellent development opportunity in a major finance house

Chartered Trust is one of the country's most successful finance houses with a national network of over 70 offices offering a wide range of financial services to the consumer and corporate markets. We are a wholly owned subsidiary of Standard Chartered Bank, one of Britain's major international banks with assets exceeding £32,000 million.

The development of this new position has created an excellent opportunity for a corporate credit granting specialist at our head office in Cardiff.

Reporting to the Manager, Credit Acceptances, the Senior Credit Analyst will lead a small team of credit analysts responsible for:-

- the detailed credit assessment of applications for corporate advances and credit monitoring and review of existing major advances
- the assessment and analysis of major corporate customer trading markets
- the development of computer-based credit monitoring, reporting and appraisal systems
- the training of field staff in relation to the appraisal of corporate financial information and the assessment of credit risk
- assisting with the formulation and development of credit granting policy, procedures and documentation.

The successful candidate will be professionally qualified in an accounting or banking discipline and possess several years' sound experience in corporate credit granting, probably in the credit function of a bank or finance house. He or she will be about 30 years of age, highly self-motivated, with good interpersonal and team leadership skills. Regular visits to corporate customers throughout the United Kingdom are involved.

This is an excellent opportunity for an ambitious credit professional to take a positive step towards senior management. Career development prospects within the organisation are extremely good.

The competitive benefits package includes, in addition to a company car, a competitive salary, mortgage subsidy and profit sharing schemes, generous assistance with relocation expenses where appropriate and a remuneration system which recognises and rewards merit. Cardiff is a thriving city with a fast-developing commercial and financial infrastructure, offering a wide range of cultural, social and sporting facilities and close to some of the most attractive countryside in Britain.

Please apply to: Mr. P.R. Symes, Manager, Management Development & Recruitment, Chartered Trust plc., 24-26 Newport Road, Cardiff. CF2 1SR. Tel: (0222) 473000 ext 2120.

Chartered Trust

A member of Standard Chartered Bank Group

CAPITAL MARKETS

One of the leading UK Merchant Banking groups has an opportunity for an experienced individual likely to be in mid to late 20's to work closely with a Director, marketing to German-speaking Europe.

This position, which has emerged as a result of internal promotion, requires a thorough knowledge of and exposure to all aspects of capital market transactions, especially equity-related issues, equity placements and Swaps. Applicants should also be able to demonstrate a proven track record, a high level of numeracy and strong communication skills as this position will involve considerable client contact and interaction with other divisions of the bank. Good working knowledge of German would be a distinct asset.

This represents a challenging career move to a successful, expanding organisation, with prospects of managerial status, and will carry a competitive remuneration and benefits package.

Please contact:
Stuart Clifford, Christopher Lawless or Hilary Douglas (01-834 1832 outside office hours).

BADENOCH & CLARK

LONDON • BIRMINGHAM • MILTON KEYNES

THE FINANCIAL AND LEGAL RECRUITMENT SPECIALISTS
16-18 NEW BRIDGE STREET, BLACKFRIARS, LONDON EC4.
TELEPHONE 01-583 0073

Appointments Wanted

General Manager (German)
44, based in Germany, mobile to live in Europe, Asia or America, with entrepreneurial drive, sound level of education, highly developed management communication skills, proven longstanding successful track record of dynamic performance especially in establishing companies in marketing/sales in order to play the full role in the board. National/international experience: industrial, commercial and consumer market sectors. Actually employed in a market-leading British Electronic Publishing Company (35.000 employees) is seeking fresh opportunities to turn challenges into conquests to initiate new expenditure. Write Box A0610, Financial Times, 10 Cannon Street, London, EC4P 4BY.

FX-TRADER/MANAGER

Mid 30's, German, long standing experience, proven track-record, excellent worldwide contacts, senior position with leading multinational banking institution, seeking for a challenging senior trader/manager assignment, preferred locations Frankfurt or US but no prerequisite.

Write Box A0612, Financial Times, 10 Cannon Street, London EC4P 4BY

ECP SALES

Team up with proven success...

Our client is a major US Financial Institution which has developed one of the most active and professional teams in ECP marketing, trading and sales, and is also increasing its involvement in MTN's and other money market instruments.

As the bank is a major issuer of Euro-commercial paper and Euronotes, the Sales force plays a vital role in distribution of the product throughout the UK, Europe and globally. To strengthen this team, several salespeople are required at junior and senior level. The emphasis is on teamwork: on establishing professional long term relationships with investors; and working in an organization highly committed to the product.

Ideally, candidates should have had experience of ECP or money market sales, and a second language, whilst not essential, is highly desirable. The bank would also consider outstanding candidates with other types of financial sales experience. Opportunities exist for bright individuals with under a year's experience as well as more senior salespeople.

The salary and benefits package are competitive and the bonus potential is well above average and clearly achievable. The openness of management style and the strong team spirit make for an excellent working atmosphere.

For further details please contact Kevin Byrne on 01-248 3653 during office hours (01-874 9982 evenings/weekends) or send a detailed CV to the address below. All applications are treated in the strictest confidence.

60, Cheapside, London EC2V 6AX — BBM ASSOCIATES — Telephone: 01-248 3653

CONSULTANTS IN RECRUITMENT

GENERAL MANAGER — SETTLEMENTS

A major established and fast expanding London stockbroking firm requires a General Manager to oversee their settlements and help plan future developments.

The successful applicant will run an office of 70 people and be responsible for the good and timely settlements of all their trades dealt on behalf of private, international and institution clients.

Applicants should have considerable experience and a proven track record in man-management and a strong bias towards a profit related operation. Knowledge of computer systems would be considered an asset.

Salary and other benefits will be at a level reflecting the importance of the position.

R P Operations

Bunge House, St Mary Axe,
London EC3A 8AT
01-929 1212 TELEX 8811725 CITLON G

SPECIALISTS IN INTERNATIONAL RECRUITMENT FOR TREASURY, FOREIGN EXCHANGE AND NEW INSTRUMENTS

CHARTERHOUSE BANK LIMITED

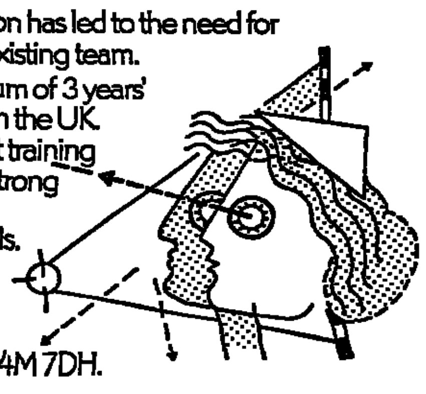
CREDIT ANALYSTS (2)

ATTRACTIVE SALARY + BANKING BENEFITS

Development of the Banking Division has led to the need for experienced Credit Analysts to join an existing team.

You will be graduates with a minimum of 3 years' relevant experience with a major bank in the UK. Successful completion of a formal credit training programme is desirable, together with strong analytical skills, sound credit judgement and an ability to communicate at all levels.

Please send Curriculum Vitae to Christina Parker, Assistant Personnel Manager, Charterhouse Bank Limited, 1 Paternoster Row, St Paul's, London EC4M 7DH.



CHARTERHOUSE

A MEMBER OF THE ROYAL BANK OF SCOTLAND GROUP

Company Secretary & Legal Adviser

Construction

up to £25,000 p.a. + car — *City*

The Board of a public limited company wishes to appoint a Company Secretary. The p.l.c. is the Holding Company for a group of subsidiaries operating in the construction industry (Group t/o c.£45m) principally in London. The Company Secretary will also be appointed Secretary of the subsidiary companies, and as Legal Adviser to the Group will deal with matters arising in a substantial construction contracting organisation.

Candidates must be Chartered Secretaries with a legal bias, or Solicitors with secretarial experience in a public company, and a background in construction or in a professional office with heavy involvement in the industry.

Age indicator: 30 to 50 years.

Based in the City.

Salary up to £25,000 p.a., car provided, and benefits normal to a long-established company.

Please write stating age, current salary and how you meet the Client's requirements, quoting reference 195. No information will be disclosed without permission.

William MILNER
Management & Selection Consultant

1 Spencer Parade, Northampton NN1 5AA. Tel: Northampton (0604) 259288.

FLETCHER JONES LTD
Search & Selection

CITY

The following are a selection of our current assignments

Equity Sales—Europe	£60,000 plus benefits/bonus
Senior Portfolio Manager	£60,000 plus benefits/bonus
Retail Sector Specialist Salesperson	£30-£50,000 plus benefits/bonus
Corporate Finance—Specialist Chemicals	£30-£45,000 plus benefits/bonus
US Portfolio Manager	£30-£45,000 plus benefits/bonus
Private Client Fund Manager	£25-£40,000 plus benefits/bonus
Marketing Manager—Pension Funds	£20-£40,000 plus benefits/bonus
Portfolio Manager	£35,000 plus bonus/car
Far East Portfolio Manager	£20,000 plus benefits/bonus
UK Investment Analyst	£20,000 plus benefits/bonus
General Economist	£12-£15,000 plus benefits

SCOTLAND

Private Client Broker	£25-£35,000 plus benefits
Fixed Interest Portfolio Manager	£20-£30,000 plus benefits
Foreign Exchange Dealer	£15-£25,000 plus benefits
Corporate Lawyer	£12,000 (circa) plus benefits
Gilts Analyst/Dealer	£10,000 plus benefits

For further information on the above please telephone or write enclosing a curriculum vitae to:

John G. Osborne
FLETCHER JONES LIMITED
9 South Charlotte Street
Edinburgh EH2 4AS
Tel: 031-226 5709

Jane L. French
FLETCHER JONES LIMITED
4a William Street
Knightsbridge
London SW1X 9HL
Tel: 01-245 6377

FINANCE · INTERNATIONAL EQUITY SALES · EUROBONDS · TRADED OPTIONS · INVESTMENT RESEARCH · QUANTITATIVE PORTFOLIO ANALYSIS · FOREIGN EXCHANGE · FUND MANAGEMENT · CORPORATE

EQUITY SALES/RESEARCH c£50,000 + Package

We are servicing the needs of a number of major clients; many of whom are recognised as market leaders in fundamental Equity Research and Sales in Europe, North America and Japan. These are organisations who have carefully executed plans to maintain or boost their international reputation in the post-deregulation market.

You should possess a demonstrable track record and a sound knowledge of your specific area coupled with the personal qualities of integrity, professionalism and the will to win.

Please apply in confidence to: **JONATHAN HEAD** on 01-430 1551/2653 or write Executive Selection Division, 9 Brownlow Street, Holborn, London WC1V 6JD.

DSA

DULCIE SIMPSON APPOINTMENTS · DULCIE SIMPSON APPOINTMENTS

SHARE DEALERS

EYAS SECURITIES LIMITED

We are a member of a small but Dynamic expanding group of companies involved in financial services. As a result we have a number of vacancies in our equity dealing room in London for experienced and trainee dealers in securities, who must meet the highest standards as required by FIMBRA of which we are a member.

If you seek an opportunity for high income, progression into management and would enjoy all the benefits of working in a highly professional environment and the challenges of meeting the increasing demand in this rapidly expanding industry, then please send your CV and full details to:—

Brian Peat, Eyas Securities Limited,
15, Borough High Street, London SE1 9SE.

All enquiries will be treated in the strictest confidence.

FIMBRA

EXECUTIVE JOBS

IF YOU EARN OVER £25,000 p.a. AND ARE SEEKING A NEW OR BETTER JOB

Our team of consultants, all of whom have had managing director level experience, can help you.

Our successful Executive Action Plan helps you find appointments quickly and discreetly, particularly in the unadvertised vacancy area.

Contact us for an exploratory meeting without obligation. If you are currently abroad ask for our Executive Expat Service.

32 Savile Row, London W1. Tel: 01-734 3879 (24 hours)

Connaught

Corporate Finance

Mergers & Acquisitions
£35-50,000 + bens

This is an excellent opportunity to move into the fast expanding M&A department of an international securities house. In particular Solicitors or Accountants with at least two years' relevant corporate finance experience gained within a bank, broker or leading City law firm are of interest. Initiative, strong commercial awareness and marketing ability are the additional skills that will enhance already exceptional career prospects.

Contact: Lindsay Sugden ACA

U.S. Bank
£20-30,000 + bens

Our client, a significant international institution, has a rapidly developing corporate finance department involved in a range of exciting projects. Due to further expansion plans, vacancies exist for young Accountants and Solicitors with excellent academic and professional qualifications backed up by strong personalities. Relevant experience is a definite plus. Rewards are good, prospects excellent and bonuses high.

Contact: Mark Hartshorne

Interested applicants should write to us at Michael Page City, 39-41 Parker Street, London WC2B 5LH, or telephone us on 01-404 5751 quoting ref. no. 6005.

MP
Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

BRANCH MANAGER
West End

This prestigious international bank concentrates its retail banking activities and banking services to smaller corporate customers in a busy, profitable West End branch.

They now require a dynamic "go-getting" banker to run the operation. The manager will have three major tasks — the effective management and motivation of staff: the streamlining of administrative and banking systems: and the development of a wider range of corporate banking business.

Energy, enthusiasm and imagination are essential; the position offers considerable scope to a bright clearing banker, frustrated at middle management level, or someone from a similar type of international banking operation. *Preferred age is 30-35.* Every encouragement will be given to develop the full potential of the branch.

If you relish the chance to run your own operation *but still be part of a larger career structure* within this major bank then write enclosing a detailed CV to Kevin Byrne who is acting as an advisor to the company. Alternatively telephone him on 01-248 3653 (01-874 9982 evenings/weekends) for further details. All applications are treated in the strictest confidence.

60, Cheapside, London EC2V 6AX BBM ASSOCIATES Telephone: 01-248 3653

CONSULTANTS IN RECRUITMENT

Director
Property Trading and Investment

For a quoted property trading, investment and development company with a strong growth record and access to substantial funds for continued expansion.

In this new role you will report to the Chairman and assume responsibility for the identification of new trading and investment opportunities. There will be considerable freedom to shape the portfolio as you see fit.

The need is for a Chartered Surveyor, probably now within an institution or another property company, who can combine professionalism with commercial flair. Age is flexible, from the early thirties to the early fifties. In either case, a highly attractive incentive based package will be negotiated. Base: Central London.

Please write in confidence, quoting reference SP820, to Edward Simpson, at 84/86 Grays Inn Road, London WC1X 8AE (telephone 01-404 5971).

CAMERON · SIMPSON
Consultancy · Search · Selection

ACP
ADMINISTRATIVE & CLERICAL PERSONNEL LIMITED
3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

An interesting and varied appointment. Scope to become a Director within a year.

HEAD OF ADMINISTRATION — DOCUMENT PROCESSING

S.W. LONDON **£22,000–£30,000**

ADMINISTRATION ARM OF SUBSIDIARY OF A MAJOR INTERNATIONAL MERCHANT BANK

For this new position, applications are invited from candidates, aged 38–50, who will have acquired not less than 6 years experience processing high volume documentation and at least 3 years heading this operation or as the number 2. Reporting will be to the Managing Director and responsibilities will cover the management and total responsibility for the administration function of this successful organisation, which is one of the largest in its field, through 6 section heads and 140+ staff. A vital constituent to the success of this operation is the ability to continuously identify and *implement better ways of streamlining the timely and accurate processing of high volume documentation and good* understanding of computerised systems. Initial remuneration negotiable, £22,000–£30,000 inclusive of bonus, + car, subsidised mortgage, non-contributory pension, free life assurance, free BUPA. Applications in strict confidence under reference HADP312/FT, to the Managing Director:

ADMINISTRATIVE AND CLERICAL PERSONNEL LIMITED, 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ.
TELEPHONE: 01-588 3588 OR 01-588 3576. TELEX: 887374. FAX: 01-256 8501

FINANCE HOUSE SENIOR MANAGEMENT

SocGen Lease is the UK Equipment Finance subsidiary of the major bank, Société Générale.

A new senior management position has been created at our *London Head Office* to co-ordinate and lead the continuing development of the Company's Industrial and Commercial lending activities. The position – **Divisional Manager, Corporate Division** – will carry a wide range of responsibilities, mainly connected with the Sales and Marketing of 'middle-ticket' Leasing, Hire Purchase and related financial services, through eight Area Offices. The job-holder will report directly to the Deputy Managing Director.

The successful candidate will be probably in the age range 35-45 and will present a detailed C.V. demonstrating at least 10 years' relevant experience. Necessary qualities will include strong personal motivation and ambition, and the confidence, background and leadership skills to become established and respected quickly by a team of professionals.

The reward package will reflect the seniority of the appointment. Naturally, a quality company car will be provided as will the valuable subsidised house mortgage scheme. Additional benefits include a non-contributory pension scheme and P.P.P. Assistance with relocation will be considered where applicable.

Applications in writing to:–

Susan Tilley
SocGen Lease Ltd
13/17 Long Lane
London EC1A 9PN

SocGen Lease

ACCOUNTANCY APPOINTMENTS
APPEAR EVERY THURSDAY

MARKETING DIRECTOR DESIGNATE
London

Our clients, a leading firm of national property advisers, have been expanding strongly over the last few years and are now actively planning their future development. This includes further organic growth, acquisitions and expansion into other areas of practice, including overseas, as well as giving positive consideration to public ownership status within the foreseeable future.

As part of this plan the Company has identified the need to appoint, ultimately at Partnership status, a Marketing Director Designate. It is envisaged that the successful applicant, likely to be aged 28 - 38, will be able to demonstrate a proven ability in marketing/business development in the property sector and is likely to have had practical experience in one of the property disciplines at some time in his/her career.

Our clients regard this as an important and strategic appointment which, depending upon age and experience, will command a first class salary of not less than £27,500 p.a. together with a car and other benefits, the opportunity of progression to Equity and/or shareholding or share option benefits.

All replies will be forwarded direct to our client. Please indicate in a covering letter any firms to whom you do not wish to apply.

Please send a comprehensive résumé, including salary history and day-time telephone number, quoting ref. 2807/FT to W. L. Tait, Executive Selection Division.

Touche Ross
The Business Partners
Hill House, 1 Little New Street, London EC4A 3TR.

All benefits, large and small

STERLING CD TRADER

The benefits of the compact scale of Seccombe Marshall & Campion should be evident to a futures or money market trader interested in making a big splash within one of London's eight Discount Houses.

That it is an integral component of global Citicorp operations will provide the international perspective and broader parameters for your career development.

You will be joining a small team of highly experienced traders, with the full support that you would expect within such a respected city name.

We will be seeking a minimum of three years' trading experience coupled with a level of ambition that may not at present be fulfilled.

Tangible benefits will also be of the highest order, with salary unlikely to be an obstacle and a full range of additional benefits. In the first instance, please send full career details to Patty Liedbeurg, Citicorp Investment Bank Limited, P.O. Box 242, 335 Strand, London WC2R 1LS.

We are an equal opportunity employer.

CITICORP INVESTMENT BANK

A Citicorp Company

This major US Investment Bank is looking for staff in the following areas:

- ★ Euro Commercial Paper Sales £40-60k (Fluency in a second European language is essential)
- ★ FRN Sales £30-60k
- ★ UK Equities Traders £50k plus
- ★ International Equities Trader c£50k
- ★ Gilt Sales £ negotiable
- ★ US Government Securities Sales £ negotiable

For all these positions *specific experience is essential and we* do not have trainee positions available. In general the age range is likely to be in the 28 years to 40 age group.

To discuss these positions call:
Tom Kerrigan or James Jarratt on 01-588 4363
or send a full cv to:
Tom Kerrigan Associations
2nd floor, 20 Wormwood Street, London EC2M 1RQ

SETTLEMENTS MANAGER
(Overseas Securities)
£ neg.

PosTel Investment Management Limited are the investment managers for the Post Office and British Telecom Pension Funds with combined assets in excess of £13 billion. We are currently seeking a Settlements Manager for the Overseas section of our Settlements Department. The successful candidate will have extensive experience of settlement procedures worldwide particularly in the major financial sectors. He/she will lead a team of 4/5 people, so management ability is essential.

Applicants are not likely to be younger than 28 years old to have gained the relevant experience which will have been acquired in a banking/merchant banking or other fund management environment.

Excellent terms and conditions of employment are offered for this position including 5 weeks holiday, private health cover, interest free S/T loan, loan scheme and bonus after qualifying period.

Please send full personal and career details, including current salary to:
Sheena Gibson, Recruitment Manager, *PosTel Investment Management Limited*
Equitable House, 48 King William Street, London EC4R 9DD

PosTel
Investment Management Ltd

MARKET MAKER EUROPEAN WARRANTS

A major U.K. securities house of international repute seek a market maker to join their well established European Warrants department.

Candidates are likely to be aged 24 to 30 with at least 2 years relevant experience and a sound understanding of European markets. The ability to speak French and or German is essential and an appreciation of warrants is preferable.

For an initial talk please contact Sarah Davies in confidence. 30 Cousin Lane, London, EC4R 3TE. Telephone 01-236 7307.

KENNEDY STEPHENS
SEARCH & SELECTION SPECIALISTS IN THE FINANCIAL MARKETS

SETTLEMENTS
Are you ambitious and able?

We are a young, fast-growing financial services group in W1 which requires a
SETTLEMENTS MANAGER.
The successful applicant will: be rewarded according to performance; have experience in all aspects of UK equity settlements; want the challenge of managing a young, intelligent team with direct responsibility to the managing director.
Please call Howard Shore on 01-734 7292

FITEL

We seek a

SENIOR MANAGER

reporting to the Board of Directors *of our rapidly-growing* City-based company serving the international securities industry. The successful candidate will have a good university degree in a technical subject, an excellent track record as a manager of a technical group about twenty strong and experience with computer-based systems.

He or she will also be intelligent and dynamic, a self-starter with a strong personality and excellent communications and writing skills.

The salary is negotiable in the region of STG 45,000 plus attractive benefits and bonuses.

Pleease contact, in confidence, Prof. Geoffrey Heal at 810 Seventh Avenue, New York N.Y. 10019, telephone (212)-307-1616, and 46/50 Gun Street, London E1 6AH, telephone 01-377 5373.

Gilts sales

£25,000 TO £50,000 PLUS CAR

Market success and expansion within Citicorp Scrimgeour Vickers Securities has led to the current requirement for additional Gilts Sales Executives.

A minimum of two years in a related field is required but we have sufficient flexibility to provide ample scope for individuals with considerably more experience.

Career prospects are excellent, as are resources and support. In particular, the scale of our backing will provide considerable scope for the ambitious. Remuneration and benefits are first rate and regularly reviewed.

Please call Barbara Simpson on 01-438 1439 for a confidential discussion or send her your full C.V. to Citicorp Investment Bank Limited, PO Box 242, 335 Strand, London WC2R 1LS.

We are an equal opportunities employer.

CITICORP
SCRIMGEOUR VICKERS SECURITIES

A Citicorp Company

LEADING US FINANCIAL SERVICES INSTITUTION

A prestigious Wall Street Firm, actively trading worldwide, is seeking an experienced DM Trader for its London Office.

The successful applicant will have a strong academic record in International Finance, preferably including an MBA from one of the leading Business Schools. Several years experience of marketing and trading in the DM and other non-US bond markets, FX and Money Markets is essential. Although the position is initially for the London Office, candidates are expected to be mobile in response to the Firm's global commitments.

Good remuneration/benefits package.

Applicants possessing the above qualifications and experience should write to: T. G. West, Managing Director (Ref. 7427), Associates in Advertising, Columbia House, 69 Aldwych, London WC2B 4DX.

Associates IN ADVERTISING

INSTITUTIONAL EQUITY/CONVERTIBLE SALES — £40,000-£50,000 basic

US-owned UK Stockbroker expanding its international specialist and general sales teams, seeks ambitious individuals with minimum five years' experience in either UK, US or FE markets, plus Japanese-speaker to head-up FE desk. Excellent package. Ref: C5533

SENIOR FUTURES BROKER — to £40,000

International long-established Broking House now seeking Senior Financial Futures Broker. Three/four years' exp. in institutional/private clients. Excellent package. Ref: C5870

TRADED OPTIONS MANAGEMENT — c. £35,000

Rapidly-expanding Securities House seeks managerial types of proven organisational ability preferably with Traded Options experience. First-class future prospects. Ref: C5539

FINANCIAL ANALYST — to £30,000

US Financial Services Co. require experienced analyst, preferably educated to MBA or equiv. standard, to perform financial calculations, produce reports and estimate transactions, etc. Banking/Accounting/Marketing background preferred. Ref: C5587

SWAPS TRADERS — £25,000+

Well known US Investment Bank requires experienced traders for short-term swaps in FRAs and Futures and US Dollar swaps to join their thriving team. Excellent benefits package and sound long-term prospects. Ref: C5542

TREVOR JAMES & PARTNERS
62-64 Moorgate London EC2R 6EL
Tel: 01-920 9512

IPS GROUP

PA TO PARTNER

c£28,000
+ Short Term Partnership

Career opportunity for a hard-working ambitious accountant, ACA, with a few years PQE to assist with the development of this thriving practice. Unlimited potential is offered to a confident & commercially aware candidate capable of making a positive contribution to future expansion plans. Contact: David Paton: 01-734-4836 or 0737-762094 (evenings). Alternatively write to: Finance Recruitment Public Practice Division, 2/3 Golden Square, London, W1.

Wanted

GERMAN (28)
Management Consultant
MBA i.p., MA Econ
BA Commerce
Banking Experience
is looking for assignments, or job between the terms from Sept-March 1987/88 in Europe, USA, Canada, Australia or elsewhere.
Please write Box A0511, Financial Times, 10 Cannon Street, London EC4P 4BY.

FINANCIAL SYSTEMS CONSULTANTS

£20,000 — £30,000

Helix Software Consultants is the European leader in banking information technology consultancy with a first class client list. They now seek to recruit four or five senior consultants to supplement their existing sixty professional staff. The position would be very suitable for IT professionals currently employed by one of the leading software houses or big 8 consultancies who wish to make a major career move.

The position requires
- a good degree
- a minimum of 5 years DP experience
- experience with a consultancy or software house
- an understanding of banking applications
- a very high level of commitment

The position offers
- rapid salary progression
- design and management responsibility
- very good promotion prospects to director level with concomitant profit sharing and share options
- first class job experience on state-of-the-art banking assignments
- a stimulating work environment
- extensive travel opportunities

For a job description and background information on Helix, please contact Sarah Ring on 01-836 7788, or send a full C.V. to:—

City Professional Selection
190 Strand,
London WC2R 1DT

EUROBOND LAWYERS

Clifford Chance, the merged firm of Coward Chance and Clifford-Turner, has a presence in 12 countries worldwide including the main financial centres, New York, London, Paris, Hong Kong and Tokyo.

We are looking for some experienced and newly qualified lawyers to join us in our varied and expanding practice in capital markets acting for a number of lead managers. For the newly qualified lawyers previous experience in capital markets is not necessary.

This is an opportunity to work in the exciting atmosphere created by a developing field of work within a major international law firm. The work is challenging and much of it is international. Contact with foreign lawyers and clients is an everyday occurrence and there is the opportunity of both travel abroad on particular assignments and to work in one of the overseas financial centres.

Please write with career details to: Alistair Dawson, Clifford Chance, Royex House, Aldermanbury Square, London EC2V 7LD.

CLIFFORD CHANCE
THE MERGED FIRM OF COWARD CHANCE AND CLIFFORD-TURNER
BRUSSELS HONG KONG LONDON NEW YORK PARIS SINGAPORE UNITED ARAB EMIRATES
ASSOCIATED OFFICES AMSTERDAM BAHRAIN MADRID SAUDI ARABIA TOKYO

BOND SALES

MULTI-CURRENCY to £65,000 Bonus

Our client is one of the world's leading international banks, a major player in primary and secondary bond markets. It now seeks experienced salesmen to strengthen its team, particularly in servicing UK and French institutions. The emphasis is on multi-currency eurobonds, in an institution with an excellent new issue pedigree in this area. A senior level position, responsibility will naturally involve control of an account portfolio, defined geographically. Prospects for further development are excellent, as is the scope to earn substantial bonuses geared to results.

US TREASURY to £80,000

Our client is a highly profitable US trading house, with an enviable track record and a major expansion programme for its UK activities. The fast growing Treasury Team is developing as a complement to the company's already significant presence in its specialised market place. A self-motivated and enthusiastic "team player", you will already be a significant contributor to a successful Bond Sales Team, ideally with a UK or European client base. This position represents a fresh challenge in an entrepreneurial environment enjoying both "state of the art" technological support and unlimited earnings potential.

For further information please contact Anita Harris or Felicity Hother on 01-606 1706 or send a Curriculum Vitae to the address below. All applications will be treated in the strictest confidence.

Anderson, Squires Ltd
Financial Recruitment Specialists
127 Cheapside, London EC2V 6BU

Anderson, Squires

BEAR STEARNS

LATIN AMERICAN CORPORATE FINANCE/LDC ASSET TRADING EXECUTIVE

Bear, Stearns International Ltd. is seeking to recruit a specialist in Latin American Corporate Finance/LDC Asset Trading to work in our London office. This position offers an exciting opportunity to join an expanding investment banking team in one of the most successful Wall Street Investment Banks. The position involves direct responsibility for marketing (including both bank and corporate calling), structuring transactions and execution. The officer would work closely with team members in the Latin American Corporate Finance Group in New York and London and with the overall investment banking effort of the firm.

The position is best suited for highly-motivated, entrepreneurial candidates with relevant experience in either or both of the Latin American Corporate Finance and LDC Asset Trading activities, who enjoy working in a fast-paced, flexible environment offering a compensation scheme which is competitive by investment banking standards and is performance related.

Interested candidates should call
Peter Drittel (01) 929 0996
or send curriculum vitae to:
BEAR, STEARNS INTERNATIONAL LTD.
9 Devonshire Square, London EC2M 4YL

Research Your Options

c£20,000

Research and develop ideas for new products in Traded Options

The Traded Options Market is one of the fastest growing areas of The International Stock Exchange's activities. To maintain and increase the momentum of growth in this market we need to be developing new products.

Your background will be in research with a financial services organisation – stockbroker, bank or other major institution. You should be a mature and tactful individual, probably aged late 20's/early 30's with well developed research abilities. Excellent communication skills and an ability to achieve results are essential. You will be working with a wide range of people representing different interests both inside and outside The International Stock Exchange.

You will be responsible for making recommendations and gaining acceptance for new traded options products and assessing the viability of their implementation into the market.

Salary will be negotiable, non-contributory pension scheme, free travel and BUPA with relocation where necessary.

If you feel ready for diversity and a genuine challenge during a period of great change and rapid development then please write to:-

Jon Lurie,
Personnel Department,
The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited,
Old Broad Street,
London EC2N 1HP.

THE STOCK EXCHANGE

A market in progress

Euronote Sales Specialists

US BANK

City — £55,000 + Bonus + Car

This is an ideal opportunity for a high calibre Euronote Sales entrepreneur to join and enhance a dynamic team.

Reporting at Managing Director level, you will have a broad understanding of the Money and Capital Markets and relish the challenge of playing a key role within an expanding team.

You will have 2/3 years substantial experience in the product, including high yield paper. Credit and risk management would be a plus. You will be capable of generating business through your already substantial client base, and the flexibility to move between financial instruments would be an asset.

You will be mature, have a healthy level of aggression, be a team player with commercial awareness and clarity of thought.

Please telephone or write in confidence to Beverly Kemp quoting Ref: BK133.

Lloyd Chapman Associates
International Search and Selection
160 New Bond Street, London W1Y 0HR
Telephone: 01-409 1371

STOCKBROKING OPPORTUNITIES

EUROPEAN SALES

£25,000 p.a. min AAE

Well-known stockbrokers have a vacancy for experienced equity salesperson fluent in French and German for their European desk to sell UK equities to European clients.

EUROPEAN ANALYSTS

£25,000 p.a. min AAE

Stockbroking arm of a large UK bank urgently require experienced analysts for France, Holland and Germany.

SETTLEMENTS MANAGER

£20-£25,000 p.a.

A major Japanese securities company seeks a settlements manager to deal with day to day settlements and accounts work. Must be able to cover UK equities, gilts and traded options and be computer literate.

If you meet the above requirements please contact:

Cindy Brunck
on 01-377 5040 or write to:

LJC BROKING

146 Bishopsgate, London EC2M 4JX. 01-377 5040

U.S. RESEARCH ANALYST/SALESMAN

City — Salary Negotiable + Benefits

Due to expansion of our European Office, this Wall Street headquartered trading, research and custody firm requires a professional analyst/salesman to be based in London.

The requirements:

★ Good communication skills in English, preferably French and other European languages
★ Ability to discuss US economic environment and investment policy
★ Ability to market the Company's current research recommendations
★ Technical analytical skills—chart analysis etc

Write Box A0613, Financial Times, 10 Cannon Street, London EC4P 4BY

Svenska & Company Ltd
STOCKBROKERS

Owing to the rapid growth of our business we now require an additional experienced Agency Equity Dealer.
Salary negotiable.

Please write with C.V. to:
Peter Colmer
Svenska & Company Ltd,
14 Devonshire Row, London EC2M 4RH.
Members of the Stock Exchange
All replies will be treated in the strictest confidence.

Television/Christopher Dunkley

Back to nature

The 1895 book "Country Pastimes For Boys" contains chapters on "Nutting," "Rambling" and "Games At Marbles," but the first hundred pages are devoted to "Birds' Nesting." Sub-headings include "How to trap a cock sparrow" and "When to take nestlings." The tone is not only avuncular but embarrassingly ingratiating: the chapter "In Snow And Ice" contains the interesting assertion "Nearly all servant maids like to be snowballed." But it is the devotion of the first quarter of the book to instructions on nest robbing which is particularly interesting.

Contrast that with the content of the first in a new series of *Nature In Focus* on Channel 4 on Sunday. Once again children are the target audience and, as with the book, the concern is with nature, but this time it is, as often as not, the children who instruct the adults. Thus when "Mum" (Alison Steadman, no less) tries to kill garden snails with slug pellets she is shown the error of her ways by the boys.

The structure of the programme is somewhat unusual: instead of the familiar natural history lecture, or the modern variation with swooping cameras and voice-over, this series combines drama and wildlife photography in a way that I can remember seeing previously only in that splendid series *The Voyage of Charles Darwin*, though there it was on a much grander scale. However, the approach of *Nature In Focus* is almost as avuncular as that of "Country Pastimes For Boys;" while the tone is now that of the WEA rather than the prep school, it is as hortative as ever.

This programme combines the demotic and the didactic in a way that you might think would irritate everyone except prissy cockneys, assuming there are such things: to the condescension of fifties' radio has been added the inverted snobbery of the eighties which rejects good grammar and diction for fear of offending the ignorant. Yet look at the difference in the content: where our ancestors happily encouraged the despoilation of the natural world, today's programme preaches conservation.

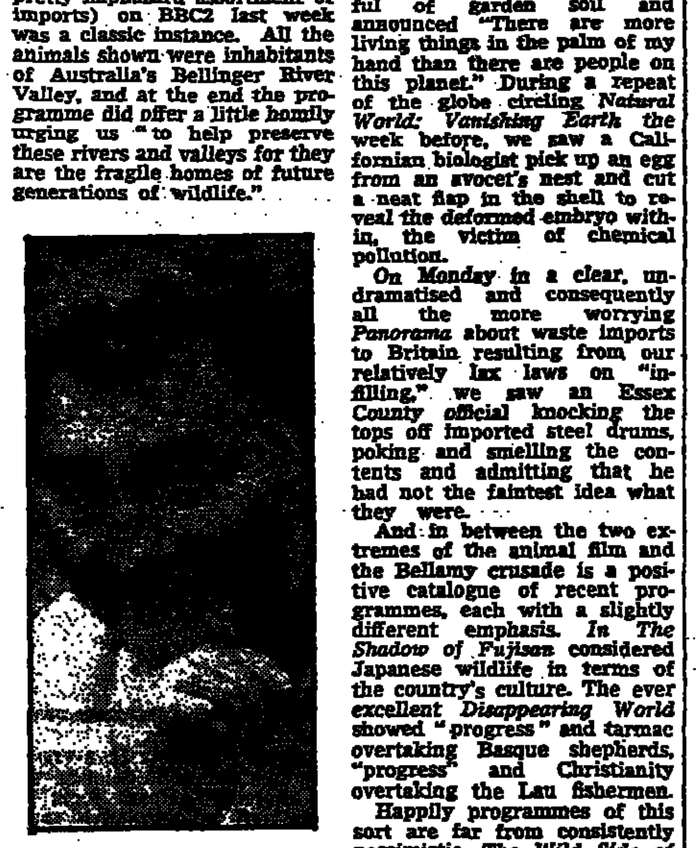
Assuming our planet survives (and today I tend to assume it will, though at 17 I did not) historians will surely point to the development of television at this particular time as a remarkably fortuitous event. The more religious among them may even suggest something more profound than luck. Just at a time when mankind seems to be in danger of fouling his own nest so appallingly as to make it uninhabitable, along comes a mass medium not only capable of reaching into every corner of the earth, but ideally suited to illustrating the dangers

Though I have argued in the past that television is not — necessarily — anywhere near as bad as some suggest at dealing with politics, philosophy and other abstractions (see this column for May 27, for example) it must be admitted that the medium does not appear to have been carefully designed for such subjects. On the other hand it could well have been expressly designed to deal with natural history and man's effect upon his environment.

Print was the medium in which Rachel Carson started the "green revolution" 25 years ago with her seminal book The Silent Spring, but it is the generation born since then which is going to have to deal with this problem, and it is fairly clear that for the majority of them television does most to air and explain the subject.

There is now a remarkable range of programmes. At one extreme we are still being offered examples of the old "Gee whiz!" nature films made so familiar by Disney and others 30 years ago. Here close-up pictures of wild animals and time-lapse photography of events in the natural world are assumed to be enough on their own to justify our attention.

The first in a new series of *Wildlife Showcase* (which looks like an umbrella title for a pretty haphazard assortment of imports) on BBC2 last week was a classic instance. All the animals shown were inhabitants of Australia's Bellinger River Valley, and at the end the programme did offer a little homily urging us "to help preserve these rivers and valleys for they are the fragile homes of future generations of wildlife."



David Bellamy, who continually warns us of the damage mankind is doing to the environment

But no attempt was made to illustrate the area's ecosystem; instead we were offered familiar horror pictures of animals eating one another. Two factors revealed the old fashioned nature of the production: the use of "Look out behind you!" music when an animal prepared to strike, and the exploitation of anthropomorphism in the script.

At the other extreme is ITV's new Sunday teatime series from Tyne Tees, *Turning The Tide*, in which David Bellamy once more plays the Elmer Gantry of ecology. Animals and plants are still a major consideration, but Bellamy's chief concern is mankind and his effect upon the ecosphere. Any residual idea that programmes of this sort should adhere to the same rules of objectivity as any other journalism is here blown to the four winds.

Bellamy is an impassioned proselytiser. Mourning the changes to the British countryside since the war, he attributes the decline in stone curlews directly to modern methods of intensive farming—methods which are illustrated dramatically by having the bearded enthusiast leap out of the path of a combine at the last moment. "But haven't the farmers done well?" chirps Bellamy. "Pour on the chemicals and out comes the crop!"

He ended the opening episode with a neatly dramatic trick when, having hopped from the ruination of the countryside to the stacking up of city dwellers in high rise blocks, he claimed that no politician had ever bothered to stoop down and look at the natural system. At this he stooped himself to scoop up a jam jar of pond water and declared that the rule applied to his jar, to a town, or to the entire world.

On Saturday the presenter of C4's new organic gardening series, *All Muck and Magic*, used a similarly effective gimmick when he picked up a handful of garden soil and announced "There are more living things in the palm of my hand than there are people on this planet." During a repeat of the globe circling *Natural World: Vanishing Earth* the week before, we saw a Californian biologist pick up an egg from an avocet's nest and cut a neat flap in the shell to reveal the deformed embryo within, the victim of chemical pollution.

On Monday in a clear, undramatised and consequently all the more worrying *Panorama* about waste imports to Britain resulting from our relatively lax laws on "infilling," we saw an Essex County official knocking the tops off imported steel drums, poking and smelling the contents and admitting that he had not the faintest idea what they were.

And in between the two extremes of the animal film and the Bellamy crusade is a positive catalogue of recent programmes, each with a slightly different emphasis. *In The Shadow of Fujisan* considered Japanese wildlife in terms of the country's culture. The ever excellent *Disappearing World* showed "progress" and tarmac overtaking Basque shepherds, "progress" and Christianity overtaking the Lau fishermen.

Happily programmes of this sort are far from consistently pessimistic. *The Wild Side of Town* has told umpteen stories of local campaigners creating urban wildlife sanctuaries and overcoming bureaucratic silliness; last week *Only One Earth* showed how one young Buddhist monk revolutionised the life of a rural community in Sri Lanka; and even *The Natural World* which illustrated the immensity of the global famine problem, also had a story of success in Nepal's re-afforestation programme.

If our children do wage the green revolution successfully, and if spaceship earth does come through the ecological crisis which is increasingly apparent, television will have played a central rôle as publicist and preacher.

What is rather astonishing in 1987 is that while there are so many series on this subject there is still not a single permanent slot on any channel devoted to it in the way that *Horizon*, say, is devoted to science.

First winner of David Harlech Memorial

Composer/guitarist Dylan Fowler from Cardiff is the first winner of the David Harlech Memorial Bursary, created in memory of Lord Harlech, former Ambassador to the US, who died in 1985.

Presented in conjunction with HTV and the British American Arts Association this annual award, worth £3,500 each year, is aimed at providing a chance for career enrichment in the US for artists from Wales and the counties of Somerset, Avon, Wiltshire, north and west Dorset and Gloucestershire.

The subject disciplines will change each year and for the launching year the subject was jazz. Dylan Fowler is planning to spend his bursary this autumn in the US furthering his jazz studies.

Alastair Muir

Natalia Makarova

Apparitions/Coliseum

Clement Crisp

The question occupying our minds at the Coliseum on Monday at Festival Ballet's gala was whether *Apparitions* would bear revival. Created in 1936 for the Vic-Wells Ballet, it was an exercise in high-Romantic fantasy with a libretto confected by Constant Lambert as an extension of the themes of Berlioz's *Symphonie Fantastique*. Lambert also selected the late Liszt piano pieces which, orchestrated, were its score. Ashton choreographed it in his first season with the company, casting Robert Helpmann as the poet whose drugged imaginings are the action, and finding in the 16-year-old Margot Fonteyn an innocent, alluring figure to be the poet's supreme love. For design, the collaborators turned to Cecil Beaton, and his creations, in the manner of Christian Bérard, were all part of the ballet's elegant success.

Revived after the war, when the now Sadler's Wells Ballet was installed at Covent Garden, *Apparitions* held its audiences still, though re-designed and with its two principals a decade older. It still seemed a thrilling, fevered example of how the clichés of Romanticism might be given theatrical vitality. But 30 years after its last performance at Covent Garden, would it—we wondered on Monday—still involve us? The answer, in Festival Ballet's new staging, must be equivocal.

The Beaton sets and costumes, and the effects of a white ball-room etched with shadows, are less effective than they were. The shape and pulse of the choreography seem as efficient as ever, though company performances need far greaten abandon, greater saturation in the heady essence of Romanticism.

The central roles have undergone the greatest change. Fonteyn's character of The Woman in Balldress (as she is correctly named) is now identified in the cast list as the Lady in the ball dress, and the alteration is more than in just social nomenclature. As played last night by Natalia Makarova, we see an interpretation of exquisite power and emotional density, a woman by turns alluring and imperiously beautiful, yet touched with an indefinable sadness. It is a reading which demands stronger response than Peter Schaufuss' Poet - as - victim: Helpmann's dreams were of an unattainable beauty; Schaufuss appears to surrender all too easily to Makarova's stunning presence.

Of course *Apparitions* was worth reviving. It needs work on its externals to find a proper frame for its passions, and more passion from most of its cast, but it remains a fascinating piece of Gothic extravagance, a thing of laudanum and swirling dream-figures.

The evening, which began with *La Bayadère's* Shades and ended with Béjart's *Bolero*, also brought the first performance of Kevin Haigen's *A Winged*. It is one of those ballets that must mean a great deal to someone. I admit, with little sense of loss, that I understood not one moment of the activities—variously fraught or otherwise emotional—that occupied the cast while selections from Benjamin Britten were played.

LIFT from Spain and Chicago

The fourth biennial London International Festival of Theatre, LIFT, opened on Monday with a Catalan happening loosely based on *The Tempest* in and throughout Sadler's Wells, and a multi media community musical from Chicago out at the Theatre Royal, Stratford East (see below).

These will be a testing three weeks for your devoted correspondents if *La Tempestad* performed by the La Cubana group from Sitges is anything to go by. After Prospero's long exposition to Miranda on a conventional tilted platform, the Wells audience was engulfed in the old wizard's sea storm. We had entered the theatre in darkness, fumbling for seats and seeking the security of the red plush.

Suddenly the rumblings grew louder, blobs of rain fell from the roof, we fumbled again, this time for the regulation issue of plastic macs stuck to our seats. Ariel and Prospero were drowned in darkness, the lights went out all over London (we were told) and the city was flooded. Hectoring instructions from a Red Cross nurse included swimming lessons and demonstrations on members of the audience.

Demonstrations were then forthcoming *from* members of the audience who started to leave, hot and bothered in their plastic macs. Colour-coded in groups of red, pink, yellow, green and blue, were were invited to withdraw to other parts of the theatre.

The Catalan troupe paid us the considerable compliment of barking their instructions in broken English. The manipulation of the audience was cunning and painless, with none of the heavy aggression associated with the bad old days of happenings and group gropes. To our amused alarm, we spied "rain" pouring down in buckets, though not on the other side of the road, sealing us in to a communal fate of enforced jollity.

This low point was merely the calm before the evacuation, nautical stormtroopers with headlamps and bare bottoms rushing through the theatre with a huge inflatable submarine. Still in our macs, we were shepherded to the exits and invited to leave. The plastic sheath was scant protection against the downpour which now fell on our heads. Thoroughly soaked and feeling slightly less silly than I looked, I took in a fantastic spectacle on the other side of Rosebery Avenue: fireworks, smoke, smiling survivors, the theatre lit up and blaring forth "Land of Hope and Glory." I crept, bedraggled, into a passing taxi.

Michael Coveney

Cabrini-Green is a monument to the folly of high-rise planning in which 13,500 black people have the misfortune officially to be trapped. How many unofficially prowl its walkways and stairwells is a census official's nightmare. Built as a model of high density municipal housing, the Chicago estate is said to cramp into the space of less than a square mile one of the poorest and most violent communities of the States. Also, from the evidence of this community musical brought to London as part of LIFT, one of the most talented.

Project! bills itself a musical documentary, and certainly it goes a long way to communicating the drudgery of a community locked into a ritual of gang warfare. "Unless you kill," says a young man on one of a series of video-recorded interviews, "you don't understand what's happening." The set immediately sets the tone of the estate and the evening—high-rise banks of video screens interspersed with vertical fields of wire meshing are a constant reminder of a place where the balconies are fenced in to prevent people being thrown over the edge.

The show itself is simple but extraordinarily moving — 18 musical numbers ranging from blues to rap and gospel loosely strung together by the taped interviews and snippets of dance of mime depicting life at ground level. There are moments when it is reminiscent of a black West Side Story—every ligament on the stage stretched to cracking point in the staccato energy of warfare—then the mood switches from violence to lament. There might be anger at society's neglect, but there is also a mature and intelligent appraisal of the blame that lies within the community itself.

To train an amateur company of 30 people aged from seven to 50 up to such discipline as keeps *Project!* rolling is a tribute to Patrick Henry, the man who put the Free Street Theater and the show together with help from various music and lyric contributors led by *Doug Lofstrom* and *Tricia* Alexander.

Claire Armitstead

The Storm/The Pit

Martin Hoyle

Fotini Dimou's opening set presents us with wire mesh walls hung with icons. We sense the prison compound of Russian provincial life where, as enlightened Kuligin observes, "we're all forced to eat one another": where "they beat their servants and torture their families"; and where Katerina Kabanova escapes from weak husband and tyrannical mother-in-law into adultery, delirium and death.

Alexander Ostrovsky's play is best known in Britain through Janácek's operatic version, *Katya Kabanová*. Ostrovsky (1823-86) pioneered a new naturalism in Russian drama; but Nick Hamm's production for the Royal Shakespeare Company flounders uncertainly between the naturalistic and the stylised, the realistic and the fantastic.

Stephen Lowe's translation sets the tone. It ranges from the vigorously alive to the stilted and takes in the odd obvious translatorese ("Don't backchat me!"). *Equally* eclectic visually, the production gives us a lover who looks like young Werther; a bullying plutocrat (Alfred Burke), gold chains and mock-fur over his greatcoat as he hobbles on like Ivan the Terrible; and an ancient church-goer (Ruby Head) who, wimpled, brocaded and diademmed, rages against youth and beauty like a Byzantine effigy incarnate. If topcoats smack of 1830, torches, suitcases and umbrellas are unequivocally modern.

This is a nightmare world, in fact, depicted with solid helpings of expressionism. Unfortunately this undercuts both social satire and individual tragedy. The hapless heroine emerges as simply another in this gallery of grotesques. Piano music underlines high drama, heralds entrances; characters burst into song as if giving Brechtian vent to their feelings; none of which stylisation is best calculated to illustrate the advantages of the rational over superstitious obscurantism — an obsessive theme of the play.

Lacking a convincing background of oppressive provincialism, Katya here emerges not as the Bovary of Kalinov but the Ophelia of the Volga, initially sporting full bridal lace and satin (transparent panels reveal her legs). Janet McTeer has a nasty case of Redgrave-itis; chief symptoms,: breathy delivery of off-hand, demotic diction, nervous giggles and a feyness that verges on the loopy. When Katya regards the key to her freedom as if it were a dagger that she sees before her, half eager, half appalled, Miss McTeer is out of her depth and into eye-rolling. The abandoned woman's final ravings find her less messily mannered, less self-conscious; but it takes more cogent direction—or opera—to make a rambling mad-scene ring true today.

The production's oriental overtones sabotage Simon Russell Beale's sensitive visionary: his hair drawn back in a bun, swathed in fringed shawls, he resembles Madame Arcati in an all-male *Blithe Spirit*. Most of the male characters come out of it badly, but are paradoxically well acted, notably by Martin Jacobs (the lover) and Philip Franks in a rounded portrait of the mother-ridden husband. The mother in question is Carol Gillies, splendidly, squatly venomous, a black widow spider whose triumphant trombone tones in "now you see where freedom leads!" are the most chilling words in the play.

Brahms Requiem/Festival Hall

Richard Fairman

The one ray of light in this Brahms Requiem came from the appearance of the Austrian Gabriele Fontana, who is currently singing in Glyndebourne's *Così fan tutte*. While other sopranos find their solo in this work a hard job to tackle, she brought to it nothing but beauty of tone, ease and composure — just the oasis of calm in the centre of the Requiem that the composer must have envisaged.

That apart, I can only assume that the droves of people who stayed away from the Festival Hall on Monday evening knew something in advance about this concert that the few of us who attended did not. A number of American choirs have recently been making their presence felt on recordings and there were obviously hopes in advance that this rare tour by two West coast choruses would give a sample of them at their best.

Sadly their visit proved rather to be a catalogue of misjudgments. Prime among these was the choice of the work itself. Between them, the Choral Society of Southern California and the Citrus College Choir number only about 100, which is barely enough to provide a convincing show of faces in a venue of this size and certainly not sufficient in manpower for the Brahms Requiem.

Even so there can be no excuse for a performance that was so consistently limp and lacklustre. Any hopes that the choirs might not have found their feet at the beginning were disappointed in movement after movement and the last section was, if anything, the most disturbing of all, feeble in tone, wayward in intonation. They were not helped either by the many unwritten, and unwanted, *ritenuti* added to Brahms's score by their founder and conductor, Nick Strimple.

David Wilson-Johnson was the sturdy, careful baritone soloist, while for the Philharmonia this was very much a "heads down and do your duty" evening. One could imagine the ghost of George Bernard Shaw, who detested this work so much and wrote wickedly ribald reviews of it in unsuccessful amateur performances, gleefully listening in.

Next time a more modest hall and a more modest work; or, better still, one of those first-rate American choirs we hear so rarely.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

July 10-16

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

Macbeth (Barbican): Jonathan Pryce is a wolfish, blood-curdling Macbeth in Adrian Noble's exciting production for the RSC. It plays in repertoire with Jeremy Irons' inconclusively wimpish Richard II and a rough and tumble modern-dress Romeo and Juliet. Best in the RSC's Barbican Pit is Janet McTeer leading a fine ensemble in Worlds Apart by Cuban playwright Jose Triana.

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

CHICAGO

Sunday in the Park with George (Goodman): Stephen Sondheim and James Lapine's Pulitzer Prize winning musical based on suppositions about the life of artist and Georges Seurat stars John Herrera as the artist and Paula Scrofano as his lover, Dot, directed by Michael Maggio. Ends Aug 16 (443 3800).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

All My Sons (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from the Long Wharf Theatre. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Elliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

WASHINGTON

Tango Argentino (Opera House): A rousing but surprising Broadway success last season returns for its glittering display of Argentine dance and swirling intimacy. Kennedy Center (254 3770)

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was handpicked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

Saleroom/Antony Thorncroft

Fat pigs are popular

The American passion for folk art seems to be rubbing off on the British. In the US primitive paintings top 1m, and such objects as decoy ducks and weathervanes regularly sell for $100,000. Now English naive and provincial art, as Sotheby's categorised its auction yesterday, is attracting serious money, much of it from American collectors.

"A fat pig," painted by John Miles of Northleach, the big name in the field, sold for £16,500 (as against a £3,000 top estimate) to Iona Antiques, the London dealer. The pig weighed 38 score and 11 lb. The same dealer acquired a farmer with his prize Hereford ox, painted by an anonymous artist around 1840, for £15,400, three times forecast.

David Antiques of New York paid £13,750 for a landscape with three grazing sheep, by Thomas Weaver. A Charles II embroidered stumpwork picture, which was recently discovered in Norfolk, where it had remained in the same family for 200 years, went for £8,250. A shop sign in the form of a snail, probably late 19th century French, sold for £6,600 (top estimate £1,200), while a sign carved in wood of a rising sun also did well at £3.520.

The main interest at Christie's was the sale of a group of coin and seal designs by Thomas Simon, chief engraver to the Royal Mint from 1649 to 1660, and considered to be the "Thomas Chippendale" of coin and seal design. His sketchbook, with many portraits, was something of a disappointment, only making £26,400, well below estimate. On the other hand the key lot, the design for the Great Seal of King Charles II, was unsold at £20.000.

The auction of English drawings and watercolours did well, apart from Simon. Agnews bought an early 1797. Turner watercolour of Norham Castle for £88,000 and a view of the grounds of Honington Hall by Thomas Robins. Snr. framed with flowers, made £49,500 while a similar scene sold for £28,600, both well ahead of forecast. A study of a Mayan monument by Frederick Catherwood, drawn in Central America around 1840, realised £28,600, as against a top estimate of £3,000.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday July 15 1987

Prices fall into step

THE DOLLAR securities markets have been concerned for some time with the danger of rising inflation, reflected in strong gold and weak bond markets and recently the sterling markets are beginning to reflect some of the same concerns. The firmness of the oil price, despite Opec production in excess of quotas, and the sustained rise in some of the hard commodities, are now reflected in a sharp rise in UK industrial input prices. The gilts market has been corespondingly weak, despite the encouragement of Mrs Thatcher's third term.

The figures are quite dramatic, not only in dollar terms, but even measured in SDRs, with metals, for example, now some 25 per cent above their low point a year ago. It is important, then, to view them in a long context. Distance may not lend enchantment, but does at least put the view in perspective.

Until a year ago, the weakness of commodity prices was the despair both of forecasters and of bankers involved with the producers' sovereign debt. The world economy has been in steady and at times quite rapid recovery since 1982: but for the first four years of this recovery commodity prices remained on a firm downtrend. The real income of producers has been acutely depressed and in the farm sector, at least, there is still no prospect of any improvement.

Material demand

There have been some fundamental reasons for this improvement of the terms of trade in favour of manufacturing. The shift in developed world demand towards services, the continued sharp rise in farming productivity, and even the growing importance of miniaturised products, have all held the growth of raw material demand to about half the rate of world GDP growth. In the energy market there has been a strong delayed response to the very sharp rise in relative prices, expressed in conservation and efficiency measures.

The movement in relative prices, however, has been greater than these trends in real demand could explain. It is in the nature of the commodities market, where large stocks are held and markets are heavily influenced by speculative sentiment, to behave in this way. Equally, any change in trend shows initially in a very sharp dip or bounce in prices.

For the developed world as a whole, the last five years have therefore been too good to last. Real incomes have been able to grow significantly faster than national output. Since in addition the world recovery has been on the whole very moderate in pace, with strong competition in nearly all product markets, inflation fighting has been a great deal easier than finance ministers and central bankers may like to admit.

World inflation

This holiday period may well now be over for the world as a whole, and is certainly over in the US and the UK, whose currencies have been depreciated in real terms—very strongly depreciated in the case of the dollar. Exchange rates are not nearly so strong as influence on domestic prices as was once thought, since international competition is still very imperfect; but in raw commodities the economic law of one price does hold, and there is no shelter for those who rely on depreciation to become competitive.

The most obvious threat is for input costs in 1987 and good prices in 1988. Even if commodity price trends now fall broadly into line with world inflation, there is a once-for-all adjustment to be absorbed.

Once this adjustment is out of the way, however, the commodities recovery need imply little more than that from now on, real incomes will have to march much more closely in step with the growth of output; and here the weak-currency countries probably have something to celebrate.

Both in the UK and the US real exports are now rising sharply, and as yesterday's figures for UK industrial output suggest, buoyant output promises strong productivity figures.

There is so far little in the domestic and nothing in the world growth figures to suggest any danger of overheating—on the contrary, governments are still worried about sluggishness. It would be misguided to abandon the search for improved growth because of an adjustment in the commodities' trend.

London's role in metal trading

THE London Metal Exchange, which was brought to the brink of collapse by the tin crisis, deserves praise for the way it has pulled itself together in the past year. Few who watched the exchange struggling after the International Tin Council defaulted on debts of hundreds of millions of pounds would have believed that it could cope so well with the aftermath.

In the past 12 months, the exchange has simultaneously reformed its century-old marketplace, transformed its muddled management structure and launched a series of new contracts.

A system in which traders dealt with each other as principals like medieval merchants has been replaced by a market in which a clearing house acts as in intermediary, guaranteeing each bargain, as happens on almost every other commodity futures market.

The exchange has also abolished an undemocratic two-tier administration in which a self-appointed body and an elected committee decided things, meeting sometimes separately and sometimes jointly. This outdated structure is to be replaced by a single ruling body, made up largely of elected representatives of the exchange and backed by a stronger salaried secretariat.

At the same time the range of contracts has been overhauled—the exchange's first instrument denominated in dollars instead of sterling has been introduced, as have the LME's first traded options.

Time needed

None of this has been easy. The LME has had to think ahead while trying to staunch the losses caused by the Tin Council's default in October 1985. It was initially reluctant to make any changes at all—the conservatives' argument was that the ITC had been entirely to blame for the crisis. But objections were swept away by the Securities and Investments Board, the Government's City watchdog, which insisted that the LME had to conform with the Financial Services Act and become a safer place for investors' money.

However, once the exchange had accepted the inevitable, its chief executive, Mr Michael Brown, and his colleagues, worked very hard to try to reconcile the SIB's demands with the wishes of trading members and their customers.

The exchange now needs time to learn to live with its new structures. A modest increase in turnover since the beginning of 1987 has worked wonders in restoring morale, not to mention traders' balance sheets.

But the LME cannot afford to be complacent, especially as it will be hampered for months, if not years, by the continuing litigation arising from the tin crisis.

There is plenty to be done if the exchange is to maintain its role as the world's leading base metals futures market. The exchange is weak in marketing its services — relying too much on clients coming to London rather than going out and selling its contracts to the outside world, both in the investment community and in the metals trade. It is not enough to depend on the advertising efforts of member companies. The voice of the LME as a whole needs to be heard in New York, Tokyo, Peking and elsewhere.

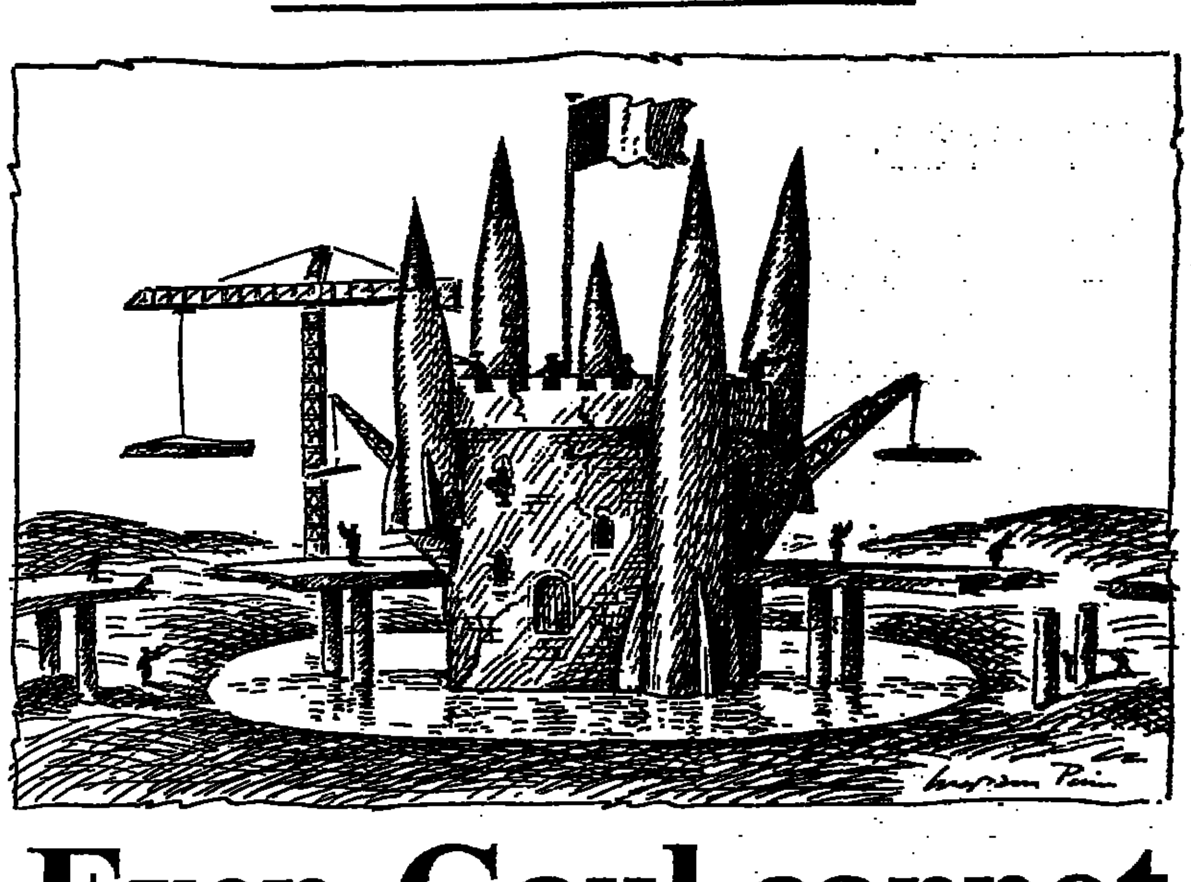
External relations

The exchange also needs to do more to make its services international — its dollar-denominated contracts are being introduced long after the US currency replaced sterling as the main means of exchange in world trade. The LME has done too little in the past to accommodate its customers outside Europe — the first non-European delivery point for metals has only recently been opened in Singapore.

Finally, the vexed question of relations with the rest of the London commodities industry should not be allowed to slip off the agenda. Last year the LME rebuffed tentative approaches from the London Commodity Exchange, which trades coffee, cocoa and sugar, about sharing an office building. The LME had more than enough on its plate at the time. But it might be right to reconsider that decision, to see if closer co-operation could cut trading costs and increase efficiency.

Commodities are not immune from the globalisation of financial markets. As 24-hour trading develops, more and more customers will learn to seek out the exchange that best meets their needs. They will not stay in London if other centres offer better services.

FRENCH DEFENCE POLICY



Even Gaul cannot be an island

By Ian Davidson

LIKE ALL Gaul, the French strategic community is divided into three parts. There are those who think the debate on the re-orientation of France's security policy is going rather well; there are those who think it is going rather badly; and there are those who think it is going nowhere.

But there is widespread acceptance in all three camps that the debate is necessary, and a growing consensus that the old simplicities of Gaullist nuclear doctrine and blind faith in a nationalist sanctuary will give no sure footing in the shifting sands of the double zero option, West German anxieties and uncertain American and Soviet objectives.

A senior officer in the French governmental machine (let us call him General Jean) is depressed at the state of Anglo-French defence co-operation. He believes that the bilateral talks on nuclear questions, which were launched at the beginning of this year by Mr Andre Giraud, the French Defence Minister, with Mr George Younger, his British counterpart, have gone dead. He claims that they are being held back by French officials who are reluctant to risk any challenge to traditional French doctrine or to the notion of a national sanctuary. He is also concerned by indications that both governments have withdrawn support from the parallel discussions on bilateral defence co-operation, which have been taking place in the unofficial forum of the Franco-British Council.

An entirely different impression is given by a senior official over at the Defence Ministry, however. His tone is up-beat and businesslike and he seems entirely untroubled by doctrinal history. National habits cannot be swept away all at once, but old taboos are being broken, and some questions are being discussed between the French and the British which previously were never even mentioned. As examples, he cites discussions of the challenge facing the British and French nuclear systems in penetrating Soviet anti-missile defences, or of the possibility of developing a joint sub-strategic airborne stand-off nuclear missile.

A similar antithesis between the doctrinaire and the pragmatic seems to be at play over Chancellor Helmut Kohl's recent proposal for a joint Franco-German brigade. Both the Elysee and the Matignon seem agreed that this is a very important initiative in political terms, but uncertain whether to treat it as a symbolic move towards closer Franco-German defence co-operation, or as a serious and literal proposal. If the latter, how is it to be implemented? Is it possible to imagine a bi-lingual brigade? What would be its mission—would it imply an automatic French commitment to join in the defence of Europe, in the event of Soviet aggression? Who would command it, a Frenchman or a German? Above all, perhaps, what would be the practical and theoretical implications of such a brigade for French nuclear doctrine?

All these are important and weighty considerations, but they do not seem to be causing as much hesitation over at the Defence Ministry. While the Matignon was suggesting that the West German suggestion would need cautious study over the next three to six months, and the Elysee hinting that France might not be ready to make detailed proposals until after the presidential elections next spring, Mr Giraud was already talking of the joint brigade as if it were virtually a *fait accompli*, by spelling out before a Franco-German military seminar some of the practical criteria that it would have to meet; for example, it would have to be connected to the French nuclear deterrent.

On this latter point, Mr Giraud may well be speaking out of turn. Mr Pierre Lellouche is a young strategic analyst at the *Institut Francais des Relations Internationales*, whose 1985 attack on the illusions of Gaullist orthodoxy *(L'Avenir de la Guerre)* set a benchmark for the current debate. He believes that France can reach no decisions on the re-orientation of its defence policy before the presidential elections, because there is no consensus between the Elysee and the Matignon.

In particular, he maintains that President Mitterrand and the Socialists are, paradoxically, more Gaullist than the Gaullists. For them, the nuclear deterrent is the abosolute, the ultimate weapon whose purpose is limited to pure deterrence. Therefore, it could not be deployed for the protection of a Franco-German brigade, and thus be sullied both by the hint of war-fighting and by the implication of an umbrella extended over the Germans. By contrast, he believes that Mr Jacques Chirac, the Prime Minister, is more imaginative in seeking to connect the French nuclear deterrent with West Germany, even if he does not know quite how to do it.

Mr Francois Heisbourg, one-time adviser to the (Socialist) Defence Minister in the early 1980s and now director-elect to the International Institute for Strategic Studies, takes a more optimistic view of the debate: the situation *is* superficially confused, but in practice the three major parties (Socialists, UDF and Gaullists) are all moving towards a more European role for France, and are downplaying the standard Gaullist assertion that France could not be committed in advance to the automatic defence of its neighbours. The defence consensus is shifting, not breaking, and is pretty well on track towards a new consensus based on a less provincial view of France's place in the world.

> The defence consensus is shifting towards one based on a less provincial view of France's role

Because of the squeeze on resources, France will have to make hard choices. In the meantime, the staff at the Elysee are devoting more systematic bureaucratic effort than ever before to the defence policy problem and wracking their brains to think what to do about it.

To an outsider, much of the French defence debate seems curiously fragmented, and the fragments do not always seem to have much connection with one another. In conformity with the French dialectical model, one may say that these fragments fall (once again) into three parts.

First, there are those who are worried that Germany will drift off into *political* neutralism, either through fear (the Euro-missiles) or through hope (the lure of Mr Gorbachev), and are anxious to re-anchor it to the west. Second, there are those who are worried that Europe's *military* defence is being weakened: by the double zero option, by the weakening American nuclear commitment, by the fear of US troop withdrawals, by the declining West German population. Third, there are those who fear that France's nuclear deterrent will be undermined by the two super-powers, either by a disarmament race or (conversely) by an anti-missile defence race.

So long as these fears are regarded as alternative anxieties, it makes sense to treat them with alternative prescriptions.

The first group (President Mitterrand among others) tends to multiply the political overtures to Bonn, as with the bureaucratic implementation of the military chapters of the 1963 Franco-German Treaty. The second (Mr Giraud's Socialist predecessor, Mr Charles Hernu, and Mr Chirac) tends to multiply military initiatives, such as the *Force d'Action Rapide* or this autumn's large-scale *manoeuvres* in which the FAR will take part. The third (Mr Giraud and "General Jean") seeks to strengthen nuclear links with Britain, as an insurance against the worst the super-powers can do.

The trouble with both the first two approaches is that they have not got very far, and may already have provoked disenchantment because they have been blocked by French insistence on independence from Nato and the Americans. The Elysee complains that the academic reformers and iconoclasts have in effect been trying to force France to rejoin Nato, which is out of the question. The third approach was not even tried until the beginning of this year, because the French though it was ruled out by British dependence on the Americans, both technological and political. The Elysee complains that Mrs Thatcher, like Mr Kohl, shows admirable independence from the Reagan Administration in private, but that they both almost automatically line up with Washington in public.

The appeal of the bilingual brigade idea is that it gives both sides their irreducible minimum. The technical problems are serious, unless integration is confined to the top echelon; but at least the French would have taken a significant step towards automatic involvement in the forward defence of West Germany without rejoining Nato.

The Anglo-French nuclear dilemma is more interesting and ostensibly more difficult. Enthusiasts like Dr David Owen, of Britain's Social Democratic Party, argue for nuclear co-operation in military-industrial terms, and thus concentrate on issues which are either most difficult or impossible: joint development of strategic nuclear missiles is simply not on the cards since Mrs Thatcher' re-election; co-ordinated submarine patrols and refit cycles would be impracticable, according to a senior French naval officer; joint targeting would be politically explosive vis-a-vis Nato and the US without real compensating advantages. So where is there matter for co-operation?

In reality, the most useful form of Franco-British nuclear co-operation may be entirely political in form and substance: software rather than hardware. So long as the US is perceived to be committed to the protection of Europe, the French and British deterrents are superfluous. Once the Americans were perceived to be on the way home, the British and French deterrents would no longer be superfluous, but they would be quite incredible if they remained wholly independent from each other. Were the Soviet Union to think it could play nuclear chicken with either France or Britain separately, the long-vaunted virtues of multiple centres of decision would be exposed as a fatal weakness.

The first step towards credibility for either nuclear force would be a profound and intimate understanding of each other's thinking and capability; the second would be a communications system able to provide a crisis management capability in the event of a crisis; the third would be shared use of a space-based early-warning system, without which both countries would be paralysed under threat of attack. With all three steps, the credibility of the individual nuclear forces would be multiplied manifold.

Some elements of this logic are underscored by Mr Heisbourg in a recent article in *Politique Internationale*, where he argues for co-operation over Britain's Skynet and Zircon satellites and France's Helios and Syracuse.

But, in general, the long shadow of Gaullist orthodoxy still inhibits a clear integration of France's three defence dilemmas: the political, the military and the nuclear. At the Defence Ministry, pragmatism is unencumbered by dogma: "How can we back up Germany, in complement to the US, unless we start with an understanding with the UK?" they ask. In France, however, these questions are not decided at the Defence Ministry, but at the Elysee, and the Elysee is still struggling with the problem.

Men and Matters

Maggots in the Dolly Mixtures

A look at the sweets children are buying with their pocket money can tell you quite a lot about the state of society.

Alma Holdings of Scotland has thoughtfully sent me some samples of its popular Munchie Maggots and Slime Slurps. They look like plastic splashed with luminous paint—and to my jaded palate taste much the same. But the children love 'em.

Even the long-established and thoroughly genteel Dolly Mixtures are not immune from bizarre new fashions among the tiny tots.

Alma, backed by Charterhouse Development Capital, is now paying £2.3m cash to buy Dolly Mixtures and the other confectionery assets of Squirrel Horn. The original maker of Dolly Mixtures, Squirrel Horn's best-known lines include such old favourites as Mint Imperials, Cherry Lips, Floral Gums, and Toffee Logs.

But while the old names sound stately and comfortable there is no doubt Alma has been on the right track to young taste buds with its jelly novelties ("soft gummi candy") including the Maggots, Skull Crushers, the Slime Slurps, White Mice, and its Masters of the Universe.

Alma has 7 per cent of the penny and twopenny sweets products business in Britain which is worth, in total, a cool £180m a year. Acquisition of Squirrel Horn will boost Alma's share to 12 per cent.

The sector, devoted to prising pennies out of juvenile pockets, is known politely in the trade as the Children's Self-Purchase Market.

All-star cast

Who said that the Iran Contra hearings on Capitol Hill were devoid of culture?

Yesterday the committee staff turned over yet more sheafs of documents which this time contained some bizarre but highly revealing code names used by Lt Col Oliver North.

Clearly the colonel has a strong interest in classical music. President Reagan is codenamed Beethoven. His former national security adviser Rear Admiral John Poindexter is known as Schubert. His one-time boss, Robert McFarlane, is codenamed Gershwin, after the modern American composer. And Col North himself is known as Wagner, after the great German romantic composer.

Other cultural allusions include George Shultz, the US Secretary of State as Moliere, and Caspar Weinberger, US Defence Secretary, as Shakespeare.

NO 15—8/8½

But Col North's code name tells us most about the affair, because Iran Contra has truly been President Reagan's Gotterdammerung.

Metre sharing

In South Korea, a country where statistics are popular as a neutral and anonymous way of revealing facts that could be unpopular with the ruling powers, the statisticians have finally been stumped themselves.

When hundreds of thousands of people turned out in Seoul last week for the funeral of a dead student, filling the central square, crowd estimates varied wildly between 200,000 and more than 1m.

Trying to impose some order upon the estimates, the Korea Herald, an English language paper, reasoned as follows. The Plaza and the streets around it measure 197,200 square metres. Supposing that an average of four people occupy one metre of space, then the crowd must have been 760,000. But if five people could be jammed into one square metre then the crowd estimate surges to 950,000.

Clearly finding this lack of exactitude depressing, the paper was finally reduced to commenting that the procession "must have been the largest gathering of voluntary participants" in years.

Big hitters

The city of Chicago has dreamt up a novel way of financing its proposed new baseball stadum which is, however, unlikely to prove popular with local hoteliers or visiting businessmen.

The scheme is to pay for the park by imposing an extra 2 per cent tax on hotel rooms in the city from next November. That, critics claim, would mean that anyone staying in a Chicago hotel room would have 12.1 per cent added to his basic bill—the highest hotel tax in the US outside New York.

The proposed tax is sure to meet stiff opposition, particularly from those who argue that it would put Chicago at a disadvantage when competing with other cities for lucrative convention business.

The Chicago White Sox, who would play in the new stadium, have been going through a lean patch. They last won the World Series in 1917.

Airbus grounded

In my innocence I hadn't realised that a trademark may well be prohibited in certain countries if it takes the liberty of actually describing the goods to which it will be attached.

The European Airbus has just run into difficulties on this point in the Sudan. TradeMark World tells me that the registrar of trademarks there has rejected an application to register the word Airbus.

The authorities may worry that use of the name would encourage people to expect to step aboard and pay their fares to a conductor.

Meanwhile, in Australia, premier Bob Hawke clearly had no doubt about the outcome of the general election.

It was partly-fought on the issue of his determination to introduce a national identity card to be called the Australia card. The name Australian Card was safely filed among prohibited trademarks by the federal government during the election campaign to await the day when it can be wheeled out.

Poetic licence

The presence of more than 50 Afrikaners in Dakar recently to meet members of the African National Council was in marked contrast to the last occasion when Senegal hosted an international conference on Southern Africa.

That was in 1976 when the International Commission of Jurists held a meeting on Namibia at the same beach-side conference where the Afrikaners met the ANC.

The host then was President Leopold Senghor, the founding father of Senegal, and a noted poet.

Only three white South Africans were allowed in on that occasion to meet the leaders of the Namibian liberation movement SWAPO—two because they had impeccable academic credentials, and the other because he had translated Leopold Senghor's poems into Afrikaans.

Snapped up?

A Scotsman working in Kuala Lumpur writes to me to express his fears that if the Australians take control of his bank, the Clydesdale, they might move the head office — and change the name to Crocodile Dundee Plc.

Observer

Peter Montagnon on the threat of a free-for-all in promoting exports to debtor countries

When insurers start to fall out

IN THE GOOD old days before 1982 everybody knew where they stood. A country in financial difficulties that went to the Paris Club of industrial government creditors to reschedule its debts knew it would receive no fresh official credits for a matter of years.

Then came the debt crisis and rescheduling proliferated. The list of rescheduling countries has grown. The result has been a widespread lack of export credit insurance cover which is seriously inhibiting exporters wishing to sell to the developing world.

Now governments in industrial countries are under increasing pressure from business to relax rules on cover for export credits. Some are giving in, but the evidence suggests this is happening in a haphazard way. Fears are growing in the export credit world of a tough new round of competition; countries like Britain, which traditionally adopt a hard-line approach, run the risk of losing out.

Brazil illustrates the dilemma facing export credit agencies as they struggle to draw the line between short-term commercial prudence and long-term market strategy. It may have acute foreign exchange and debt problems, but Brazil is a market of 132m people with a potentially rich economic future. Exporters who wish to exploit that future must be careful not *to leave the country's markets* open now to their competitors.

In recent weeks competition between Aerospatiale of France and Westland of the UK for a $250m (£155m) contract to provide helicopters for the Brazilian navy has highlighted the different approaches export credit agencies are taking on the question of cover for debt-ridden developing countries. The helicopter order is important for its own sake and also for the bearing it might have on a much larger deal to supply some $1bn worth of helicopters to the army.

Britain's Export Credits Guarantee Department (ECGD) is clear on its policy towards Brazil. It regards the rescheduling arrangement which Brasilia reached with the Paris Club last winter as an interim arrangement which is still not being implemented properly. So long as Brazil has no permanent Paris Club arrangement and no agreement with the International Monetary Fund, the ECGD will not restore cover on medium and long-term deals.

By contrast Compagnie Francaise d'Assurance pour le Commerce Exterieur (CoFACE), the French export credit agency, had until the end of last month been making selective cover available for Brazil, but "on a very prudent case-by-case basis, within strict financial limits." Fresh cover was withdrawn after Brazil suspended payments on its Paris Club debt and CoFACE denies that it has offered to cover the helicopter contract. But given its more liberal approach and the spirit of competition in the market, the denial has limited weight.

Fears are growing in the export credit world of a tough new round of competition

Underlying the ECGD's argument is the belief that withholding fresh credit is the only practical weapon the export credit agencies have to bring to heel countries that have fallen behind with their debts.

Mr Nigel Lawson, the Chancellor of the Exchequer, has argued for a speedy resumption of cover once a Paris Club deal is struck and last year's Paris Club rescheduling for Mexico *was one of the first to state explicitly* that cover would remain in place. In practice, however, the UK believes that new credit should be granted only *cautiously* and preference given to projects that have a role in economic rehabilitation. This would exclude large-scale military purchases such as helicopters.

Another agency which broadly shares the UK view and has suspended medium- and long-term cover in Brazil is the US Eximbank, whose chairman, Mr John Bohn, describes Brazil as a particularly troublesome case. Export credit agencies are right, he believes, to withhold fresh credit because there is a consensus that under the tutelage of the former Finance Minister, Mr Dilson Funaro, economic policy was going in the wrong direction. Refusal to grant fresh credit is a means of applying pressure. "This is not a conspiracy," says Mr Bohn, "but really a conclusion we all reached analytically."

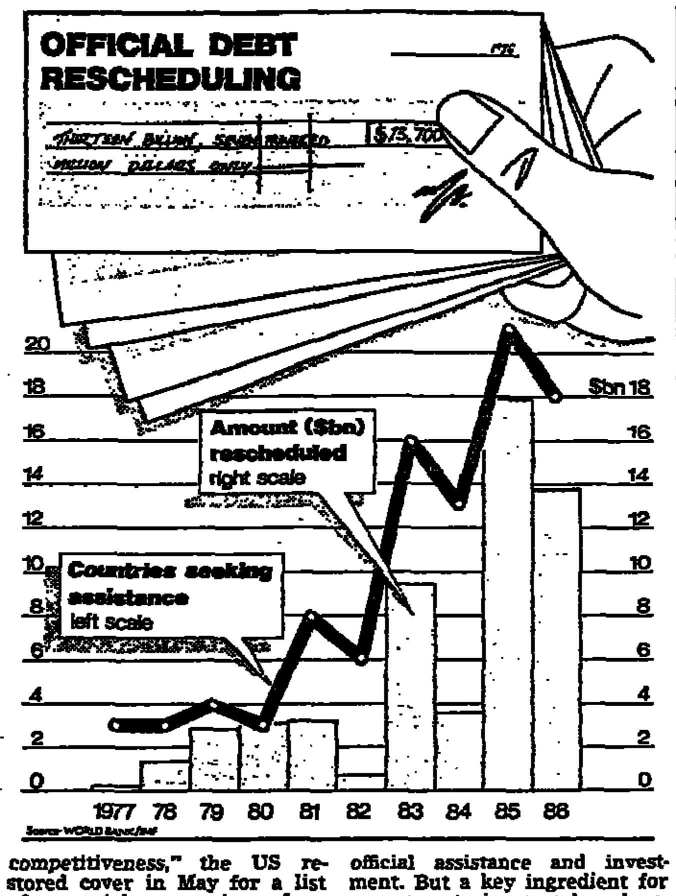
The problem is that such pressure can only work if all countries stand together. The contrast between the French and the British approach suggests that such a united stand is elusive. There are no agreed rules on how export credit *agencies should behave in such circumstances.*

The Paris Club itself, is a shadowy organisation whose secretariat, drawn from the ranks of the French Treasury, have *been known to tell journalists* only half-jokingly that they do not exist. It has no formal rules, only an unwritten philosophy based on precedent; even that has not been adapted to the post-rescheduling era.

Export credit agencies are jealous of their right to make independent assessments of the credit-worthiness of their customers. The UK, for instance, is alone among major countries to have continued to provide cover for Iraq which it claims has a good payments record. Some countries—like the US with Mexico, or France with Francophone Africa—have trade ties they wish to nurture through thick and thin.

Mr Martin Bakker, senior vice-president of Canada's Export Development Corporation (EDC), thinks each country should look individually at the risk it is prepared to accept in the promotion of exports. EDC put Brazil back on medium *and long-term cover after the* January meeting of the Paris Club. "We think that Brazil in the long-term can manage its debt and that EDC as an export *agency owned* by the Canadian Government has some obligation to keep trade patterns moving and operating."

Given the scarcity of export opportunities in the developing world, the temptation for other agencies to adopt a similar approach is growing. Citing the need to offset the "negative effect on US exports and our *competitiveness*," the US restored cover in May for a list of countries ranging from Argentina to Zambia—although it was withdrawn for Zambia *18 days later when the country* broke with the IMF.



The problem of export credit cover for countries which have rescheduled debts is likely to *intensify if*, as some export credit bankers now expect, industrial firms turn their attention increasingly towards regaining lost markets in Latin *America*. US exports to Latin America last year were only $31bn, well below the $42bn recorded for 1981, the year before the debt crisis broke.

UK exports to the region also slumped with the onset of the crisis, although they have now recovered to a level of just over £1bn. But this has been achieved only by relying heavily on exports such as organic chemicals for which the buyer pays cash, obviating the need for export credit cover.

Now, trade officials say the Latin American market is showing modest signs of recovery. "There will never be another *Itaipu dam in Brazil*," says one UK official, but smaller projects worth $40m to $50m are beginning to surface. Competition is likely to be intense.

Of the Europeans, Italian and French firms have been particularly active in seeking new Latin American business. Japan has reinforced its relations with Mexico through large doses of official assistance and investment. But a key ingredient for exporters trying to take advantage of any market recovery is bound to be the availability of *export credit*.

From the perspective of developing countries seeking to import capital equipment essential to the revival of economic growth, a *restoration of cover* could not come soon enough. Yet without a degree of co-ordination, the risk is of an unseemly free-for-all among export credit agencies whose main concern is to support national exports.

Even though it involves military supplies, the UK Government is understood to have told Westland that it would give special consideration to the helicopter deal in Brazil if cover were restored following successful Paris Club talks. If there were clear evidence that CoFACE was prepared to support the deal, it would review that policy sympathetically.

That would, however, make nonsense of the notion that withholding cover provides industrial countries with leverage over their creditors. Mr Bohn of Eximbank says he detects the beginnings of a neo-mercantilist approach where export credit agencies start to *compete* among themselves in a way that misallocates resources and is expensive for taxpayers. "I hope I'm wrong. but I'm getting increasingly *discomfited*."

A letter to Mr Greenspan

The world needs an Atlas at the Fed

By Jeffrey Garten

Dear Alan,

Here's some unsolicited advice for your upcoming Congressional hearings: obfuscate when it comes to whether today's interest rates and the dollar are too high or too low, but tell us where you are headed beyond 1987.

Currency, commodity and other financial sharpshooters from Chicago to Hong Kong will pounce on anything you say with implications for tomorrow, and a slip of your tongue could create all manner of unnecessary speculation. But you could soon be the linchpin of US and world finance, and we would all benefit from a glimpse of your longer-term vision.

Beyond the skilful day-to-day management of the Fed, I hope you've concluded that the most important thing you could do as Fed chairman is to push the Federal Reserve — and the Administration and Congress as well — into an era when American domestic economic policy will no longer be made as if foreign events and relationships were afterthoughts. As you well know, we're hooked on imports, desperate to export, *and addicted to foreign capital.*

Maybe this is obvious from the proliferation of German cars, French sportswear and Japanese-owned real estate. But *it's still a tall order.* Your fellow Federal Reserve Board members have precious little international experience. Protectionism is respectable on Capitol Hill. The Reagan team is handing out resumes, and whoever follows will likely have campaigned on a get-tough-with-foreigners platform and spend his first year demonstrating American-first credentials.

Moreover, you will be the only top level figure to make the transition between the current President and the post-Reagan era and you can afford to be above the partisan craziness of the next two years. You alone report to both the President and Congress and have the ear of both, yet have an independent mandate as well. And, Alan, if you can emerge as the central figure in Washington, you will also become the key player on the world financial stage. Japan will soon change prime *ministers and is in no position* to lead. European leaders are *again distracted by budgets* and European-wide policies. You are the only horse in the race.

Here's what to do.

First, give added attention to the dollar. Agree with your counterparts in Bonn and Tokyo on a long-term strategy for currencies, based on some *defined zones within which the* greenback, the yen and the mark would fluctuate. This is not a new idea, but it is languishing because of bureau*cratic inertia. It could be your* most significant accomplishment if you lead the way towards a policy framework to replace the Bretton Woods *system.*

Second, press Tokyo and Bonn to accelerate domestic growth to ease trade imbalances.

American domestic economic policy should not be made as if foreign relationships were afterthoughts

Continuing to nag them will not produce results; but if you don't they will backslide.

Third, *focus immediately* on Latin American debt. All the talk about exotic new lending and investment will translate into small potatoes. It's not very dramatic but we're back to the need for a bigger and better IMF and World Bank. At a time when politicians are bored with these issues, you will have to lead the charge.

Fourth, stay on top of the rapidly-emerging world securities market. Central banks are supposed to have some control over the world's money. Today, however, far more money is moving across borders via bonds and stocks, where you currently have no jurisdiction, than through the banking system, where you do. Between 1982 and 1985, to take one example, syndicated Eurodollar loans fell *to $60bn (£37.3bn) from $100bn* in 1982. In contrast, the volume of international and foreign bond issues in 1985 exceeded $100bn, twice the levels of 1984.

The world securities markets need better systems for inves*tor protection, criminal enforce*ment and a host of operational issues which help efficiently link one stock market to another (such as improved settlement *procedures*). The SEC has made a commendable start in forcing Europe and Japan to pay attention, but it has very limited extra-territorial reach. The Fed might work with other central banks which could give it some help.

Fifth, there is crisis management. No one knows *when the next financial debacle* will erupt or where — we can be sure only that it will. Brazil and Mexico are on-again, off-again tinder boxes. The Persian *Gulf remains explosive.* The Tokyo stock market seems overheated. You have not had Volcker's hands - on crisis management experience, so more *than the usual contingency* planning may be required. Whatever, you must be the world's number one economic crisis manager.

A final *imperative* is to forge very close links with the Japanese. They, after all, have become not only our long-term bankers but our principal partner *for almost* any major economic initiative. In Tokyo you are relatively unknown and very much untested, and yet your influence over the yen-dollar relationship puts your hands in their pocket-books. There is no short cut to earning Japanese trust, and you must have it almost as much as you need the confidence of Congress.

In putting US policy into the global context in which *it now belongs*, you will be shepherding America through a painful adjustment from massive trade and budget deficits to something more balanced. In the *process you might go* through a recession, a rise in inflation and a free-falling dollar. You will have no choice but to try to orchestrate the world economy. *Will* you merely react or will you be out front from the start? Don't be tentative. If you don't want to take my advice, at least listen to Napoleon: "If you are going to take Vienna, take Vienna."

The author, an investment banker in New York, held economic posts in the Nixon, Ford and Carter administrations.

Letters to the Editor

Rethinking rate reform

From Prof G. Jones and Mr A. Travers

Sir,—Two of your recent correspondents about local government finance reveal the *blinkered thinking of economists* and managerialists, who fail to recognise that government in a democracy is a political process at both local and national *levels. They* neglect significant political aspects.

Rosalind Levacic (July 8) correctly asserts that not all taxes need be set with regard to ability to pay. Thus a community charge or poll tax can in principle be justified for local government as long as other taxes nationally take account of ability to pay. However, she neglects the political consequences of local government having only one tax, and that the most regressive and visible. Local government will be discredited by its association with that tax. Local, like central, *government* requires a balance of taxes or at least one tax felt to be fair.

Ms Levacic, in common with other economists, advocates that a *local government* tax should relate to benefits received, which is the Government's justification for the community charge. However, such a view is not based *on any analysis of* existing rates paid and benefits received, nor any research into the potential relationship between benefits and the community charge *to* be paid. One of the target groups for the new tax—young employed adults living at home—in most cases consume very few local government *services. This principle of* relating local taxes to benefits received would surely, in the view of these economists, lead to very high local charges on the *parents of children* at local authority schools and the elderly, with correspondingly much lower charges on the young employed adults.

W. H. Bailey *(July 10) does* not *see* why local authorities should have any revenue-raising powers at all. As business cost-centres they should spend what they are given *by the* centre. He fails to understand that local authorities are elected bodies set up to fulfil political objectives, one of the most important of which is to decide on the balance between public and private provision. The political process of governing is about choosing between different levels of public service and different levels of taxation. Local government is not just to deliver a set service for a set *sum, but to govern* in the light of community preferences, which includes decisions on redistributive issues.

Further, revenue-raising powers are essential to encourage responsible decision-making. If local authorities simply spend other people's money they will always seek more, and condemn the source of the handout for never allocating them enough. If local authorities have to raise revenue from their own voters, they will have to balance the desire to spend against the willingness to pay tax. Otherwise they become just a pressure group always demanding more.

Ms Levacic claims that the linkage between local expenditure and taxation is weak. In *fact, the linkage is* a good deal stronger, even with domestic rates, than the relationship between central government expenditure and national taxes, *such as VAT, income tax* and excise duties, whose perceptibility is very much less apparent *to* the voter. Moreover, local authorities provide to *their electorates far more information* about their activities than do central government departments. Notice that at a time when central government is insisting on local authorities providing even greater amounts of information for the voters, the Department of Education and Science in the Education (No. 2) Act 1986 removes the duty from the Department to make an annual report to Parliament.

George Jones, Tony Travers.
London School of Economics,
Houghton Street, WC2A 2AE

Funding the arts

From Ms S. Selwood

Sir,—I noted with interest the content of your leader entitled Arts Funding and Market Forces (July 9).

The Minister's announcement last week that future arts fund*ing will be geared to* incentives should have come as no surprise. While the Arts Council, like other equivalent organisations is bound to campaign for *more cash*, it should be remembered that it is, after all, a government quango and as such responsible for the implementation of government policy.

Within the field of the visual arts, this development appears to be the latest step in the Government's effective privatisation of certain public sector galleries. This might be *said* to have started in 1984 when the Arts Council introduced its so-called Glory of the Garden, which involved "taking from the rich" as it were, and giving "to the poor"—in this case, the long-neglected regional galleries.

AIR gallery was one of the *"casualties" of the Arts Council* "development strategy," but it has survived and is *successfully* raising funds to support its various activities from both private and corporate sponsors; in this financial year, the ratio of private support to public subsidy is about 3:1.

Much has been written about the positive advantages of privatising businesses, not least directors' relief at escaping from a system which subjected them to constant official intereference and often imposed social, political and economic obligations upon them.

The arts are no different, significantly AIR's most stringent obligations are still to the Arts Council, even though their direct provision represents approximately *only 10 per cent* of the gallery's income for the current year. By comparison, funding from private and corporate sources has had a liberat*ing effect on AIR's programming* and activities. We are immensely grateful for that and hope that the gallery's relationship with its sponsors will continue *to flourish.*

Sara Selwood,
AIR Gallery,
Rosebery Ave, EC1R 4TD.

Terrorism in Punjab

From Mr R. Kakker

Sir,—I *found your editorial* (July 9) on terrorism in Punjab constructive. Your mention that "the fault partly lies with Mr Rajiv Gandhi ...," however, reminded me of the British rulers of India with whom lies the other part of the fault. They laid the seeds of communalism in India to perpetuate their rule.

R. Kakkar.
41-40, Union Street,
Flushing,
New York 11355, US.

Simplification of CGT

From Mr H. Quitman

Sir,—I heartily endorse the suggestions for the simplification of capital gains tax contained in Mr C. Bomford's letter (July 11) and in particular his proposal that the base date be moved forward from 1965 to 1982.

I suspect that I am not alone in finding myself in the trap of continuing to hold a block of quoted shares acquired pre-1965 in a company which I managed throughout most of my working life, and which have obviously, after so long a period, appreciated substantially.

As one diversifies the holding, the CGT which sales attract is in these circumstances nothing less than a wealth tax, and surely anathema to a Tory Government? Whereas during the first two terms of Mrs Thatcher's administration it may have been politically inexpedient to make the long-needed changes, there can now be no excuse for prompt and decisive action.

Harold Quitman.
Rookley Farmhouse,
Upper Somborne,
Nr Stockbridge, Hants.

The prize winners

From the Group Chief Executive, Harland Simon.

Sir,—I found the article by Peter Marsh (July 6) "Japanese research and development" most interesting.

If Nobel prize awards can be taken as a yardstick for national innovative abilities then the UK stands head and shoulders above its rivals.

I illustrate this by representing your figures in a manner which ranks countries by per*formance:*

	Nobel prize Per million scientists and engineers	Nobel prize Per trillion Yen R & D spending
UK	88	20
W. Germany	86	13
France	57	7
USA	53	5
Japan	4	0.5

R. J. Ashman,
Mount House,
Bond Avenue,
Milton Keynes, Bucks.

High priced phone calls

From Mr J. de Rivaz

Sir,—When British Telecom was privately owned by the government, its owner required it to fund its capital expenditure out of income from the customers, and severely curtailed its borrowing powers.

In a capitalist system, so I am led to understand, it is the job of the shareholders to pay the *capital costs of research* and development etc., and they are remunerated by the income from profits thereby generated.

Surely therefore the switch to *genuine public ownership* means that future development of the telephone system can be funded by rights issues, loan stock and similar exercises and not high bills?

Why then has there not been a massive cut in telephone bills?

It costs 28p to post a 2 hour audio cassette anywhere in the country. To talk for two hours on the telephone at cheap rates costs about £10 except for local calls. *Obviously* the telephone provides speed and two-way communication, but the discrepancy still seems large.

John de Rivaz.
West Towan House,
Porthtowan,
Truro, Cornwall.

FINANCIAL TIMES

Wednesday July 15 1987

Ian Rodger in Tokyo reports on Japanese attempts to resolve the row over East bloc sales

US 'may still buy' Toshiba laptops

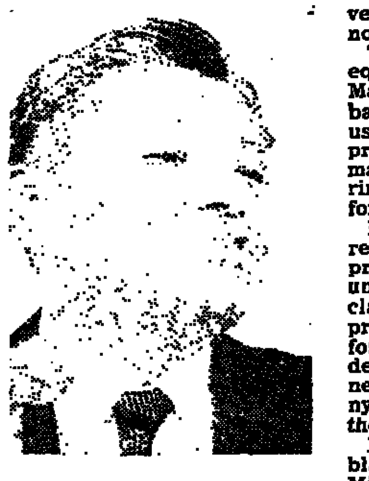
THE US Defence Department is still considering the purchase of about $100m of laptop computers from Japan's Toshiba, despite the uproar in the US over a Toshiba subsidiary's sales of sophisticated machine tools to the Soviet Union.

Mr Joichi Aoi, the new president of Toshiba, said at a press conference yesterday that the company had received an inquiry "very recently" from the Pentagon on whether it had the capacity to make the machines in the US rather than export them from Japan.

The query arose because laptop computers are among the Japanese goods that have been subject to 100 per cent punitive tariffs since April as part of the US retaliation to Japan's alleged violations of last year's bilateral semiconductor agreement.

Toshiba has interpreted the query as an indication that it is still in the running for the laptop contract, and has undertaken to provide an answer by July 21, the date bids for the contract will open.

However, Toshiba officials said later that the company had not yet decided whether or not it would submit a final bid for the contract because of the sensitive situation."As far as we know, we are not being dealt with differently," Mr Aoi said. "We have never lost hope." Indeed, the furore had made Toshiba want to win the contract



Joichi Aoi:'never lost hope'

all the more. He said the company was very sorry for the damage the machine tool case had caused to Western security and to US-Japan relations. "We would like patiently to explain our situation and get the understanding of the American people."

Mr Aoi took over as president two weeks ago when the previous chairman, Mr Soichi Saba, and president, Mr Sugiichiro Watari, resigned to take responsibility for the machine tool sales, which violated international guidelines aimed at preventing *transfers of high technology* to East bloc countries.

The US has alleged that the equipment, made by Toshiba Machine, a 50.1 per cent Toshiba-owned subsidiary, has been used to improve the milling of *propellor blades for Soviet submarines*, making the submarines quieter and more difficult for allied forces to detect.

Mr Aoi refused to comment on recent claims in the Japanese press that the US charges were unfounded. *According to these* claims, the Soviets were improving their submarines before the Toshiba machines were delivered, starting in 1983. The new president said the company was not qualified to assess *the situation.*

He also refused to put any blame for the affair on Japan's Ministry of International Trade and Industry (MITI), which is responsible for screening exports *to East* bloc countries. It has been suggested that MITI's screening was less than careful, and that the ministry was not as aggressive as it might have been in pursuing the Toshiba case.

MITI has confirmed that it was first informed of the illegal Toshiba Machine shipments in December, 1985, but it was unable to confirm that a crime (violation of Japanese foreign exchange law) had taken place until March this year. That was also the first point at which Toshiba itself learned of the case, Mr Aoi said.

Asked if he thought MITI had been less than diligent in its inquiries into the case, Mr Aoi said: "We believe that Toshiba Machine should have told us about this matter. We cannot comment on whether or not MI-*TI is responsible.* We do not think so."

He was guarded on the impact the row would have on Toshiba's possible particiation in the US Strategic Defence Initiative (SDI) research programme. The company had been "interested in SDI even before this incident came to the fore, but we would like to wait until the formal (government to government) agreement with the US is finalised and then decide what is the proper way to participate."

He would not comment on a report that LTV of the US had indicated it was no longer interested in co-operating with Toshiba on an SDI research project because of the Toshiba Machine affair.

Mr Aoi said that a total ban on Toshiba imports to the US, as has been proposed by the US Senate, would cause "tremendous damage" to the group. Its current exports amounted to Y250bn ($1.6bn) a year. He said a solution to the Toshiba Machine problem was now the group's highest priority. "I am determined to spare no effort in preventing a recurrence of this problem."

Pentagon Inc., Page 4

Soviet arms superiority warning by Woerner

By David Marsh in Bonn

THE Soviet Union's superiority in conventional arms forces, unless checked, could enable it to exert 'hegemony' over Western Europe, Mr Manfred Woerner, the West German Defence Minister, warned yesterday.

Mr Woerner, in the toughest public comments so far from a member of the Bonn Government on the super-powers' nuclear disarmament moves called on the Soviet Union to show its seriousness about *peace by dismantling its* 'ability to invade' Western Europe.

In a speech at the Konrad Adenauer Foundation, and in answers to questions afterwards, Mr Woerner made clear his scepticism about Mr Mikhail Gorbachev's reforms and brought to the surface persistent divisions within the Bonn coalition over policies towards Moscow.

Mr Woerner came out firmly on the side of those who say that dismantling of medium- range nuclear missiles in Europe under the prospective US - Soviet 'zero option' will weaken European security.

The narrowing of the focus of the disarmament debate to nuclear forces had driven into the background the Soviet Union's massive conventional threats, he said. The Warsaw Pact's conventional forces were quantitively greater in practically every weapons category and were geared to attack, while Nato's were purely defensive, he said.

His remarks appear likely to stir up again opposition on the German right to the softer line on disarmament favoured by Mr *Hans-Dietrich Genscher*, the Foreign Minister. This was reluctantly endorsed by the Government last month.

Mr Woerner also showed his bitterness about the Bonn Government decision 10 days ago to *hold down defence spending in* the 1988 budget.

In unscripted remarks, added to his prepared speech, the Defence Minister said he needed 'more money than presently allowed' in the medium- term defence budget.

Mr Woerner was speaking on the eve of his three- day official visit to France to see Mr Andre Giraud, the French Defence Minister, and other members of the French Government.

Asked about the troubled plan to build a joint Franco-German anti-tank helicopter, which has been held up for three years, Mr Woerner said he hoped the two governments could reach a 'decision in principle on going ahead during his visit starting today.'

Spy memoirs on sale in US as UK Customs turns a blind eye

BY JAMES BUCHAN IN NEW YORK

At 9.05am yesterday five people were lined up before the counter of Doubleday's bookshop on the corner of Fifth Avenue and 57th Street. Each was carrying a black book which went on sale in New York bookshops yesterday morning.

Three of the buyers were journalists for British organisations. Two were British businessmen attending a convention. The book was Spycatcher, the first edition of the memoirs of Mr Peter Wright, a former British counter-intelligence officer now resident in Australia.

At Heathrow airport yesterday, the first copies of Spycatch*er arrived in Britain* from the US, where customs officials made no attempt to stop the books entering the UK.

Back in New York, Doubleday's bookshop had sold the last of the 160 copies it had in stock within two hours of opening and was gleefully ordering 150 more.

'It's most unusual,' said Mr John Vreeland, a bemused sales clerk at Doubleday. 'There were all these British businessmen, people working in America.' But for the British Government, the runaway sale is a setback in its effort to suppress the memoirs of Mr Wright, 71, who was an officer of MI5, the UK counter-intelligence *service, between 1955 and 1976.* The Government has invoked the Official Secrets Act to ban publication in the UK and it is fighting in the courts to prevent Heinemann Australia from producing an Australian edition.

'We got huge numbers of phone orders,' Mr Vreeland said. 'I'm not sure I should be saying this but we've done a very large sale of books to be shipped over there (to England). I don't know the name of the Act you have there, but judging from the books being shipped, it doesn't really bother anybody.'

The publicity generated by the Government's efforts can only help sales, according to Vi*king Penguin, which bought the* US publishing rights

Chinese leaders seek reduction in trade gap with W. Germany

BY ROBERT THOMSON IN PEKING

THREE WEST German companies signed agreements yesterday in Peking as Chinese leaders told the visiting Chancellor, MrHelmut Kohl, that they want China's bilateral trade deficit reduced substantially.

MBB signed a DM 50m ($27.2m) contract to provide equipment, including antennae and solar panels, and technical assistance for a broadcasting satellite to be constructed in China. MBB had hoped to sell a complete satellite, but Chinese officials are confident that they can build one themselves.

The contract was signed with the China Great Wall Industry Corporation, which is leading the country's drive to become a commercial satellite launcher. Under the agreement the satellite will be launched in the early 1990s.

Orenstein and Koppel signed a co-operation contract with the China Construction Machinery *Corporation to assist in* the development of hydraulic dredges, while Siemens signed a letter of intent with the Electronics Industry Ministry for co-operation in telecommunications, particularly the upgrad*ing of Peking's telephone net*work.

Chancellor Kohl said Chinese officials had made itclear that they hoped for West German assistance in the construction of nuclear power plants. Kraftwerk Union was close to agreement on supplying equipment for a nuclear plant last year when the Chinese Government revised its nuclear aims and halted negotiations with foreign companies on all but one project, the Daya Bay plant in southern China.

Asked whether his nuclear discussions with Chinese officials were "concrete," Chancellor Kohl said that they were "more than vague," but ex*plained that China, hit by* a shortage of foreign exchange, was still balking at the cost of importing large amounts of nuclear technology.

He said Chinese leaders stressed that West Germany's *surplus, $2bn last* year on *total* trade of $3.66bn, should be reduced through increased German imports of Chinese products rather than by cuts in Chinese purchases of West German products.

However, in the first four months of this year, West German exports to China fell by 22 per cent on the same period last year, while Chinese exports rose by 12 per cent.

West Germany is China's fourth largest trading partner, following Japan, the US and Hong Kong, and mainly exports industrial and chemical equipment. It imports coal, textiles and agricultural and semi-processed products from China.

Brazil criticised over debt plan

Continued from Page 1

"one of the most obscurantist and retrograde steps in the huge pot of idiocies which are undermining the work of more serious congressmen."

The decision to prohibit debt/equity exchanges caught the Government by surprise late on Saturday night when a drafting committee voted by 42 votes to six to include the ban.

Mr Carlos Sant'Anna, leader of the Government in Congress, attempted to have it ruled out on the grounds that quorum requirements had not been met. But his objections were overruled.

The proposal will now go forward in the first full draft of the new constitution, which is scheduled to be debated with amendments over the coming two months. Final voting on the constitution is not expected until the end of the year.

Mr Bresser was widely believed to be saving the debt/equity swap proposal as a "trump card" in his negotiations with Brazil's foreign creditors due to begin informally this month.

But it was already clear to the Government that a lobby opposed to the option, on the grounds that it would involve selling parts of Brazilian business to foreigners, was gathering strength.

With the nationalist lobby openly opposing the option, the Government is now on the defensive.

Foreign bankers in Brazil claimed yesterday that the debt/equity swap option was viewed as one useful tool for reducing the country's debt burden

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	30	86	Malta	S	30	86	Rhodes	S	28	82
Algiers	S	31	88	Edinburgh	C	21	70	Manchester	R	17	63	Rio de J'o	C	34	93
Amsterdam	S	23	73	Faro	S	29	84	Manila	R	31	88	Rome	S	33	91
Athens	S	34	93	Florence	S	29	84	Melbourne	F	10	50	Salzburg	S	26	79
Bahrain	S	38	100	Frankfurt	S	23	73	Mexico City	-	-	-	San Francisco	C	20	68
Bangkok	S	33	91	Funchal	S	23	73	Miami	C	32	90	Seoul	C	25	68
Barcelona	S	28	82	Geneva	S	28	82	Milan	S	31	88	Singapore	R	28	82
Beirut	C	22	72	Gibraltar	F	25	77	Montreal	S	34	93	Stockholm	C	19	66
Belfast	F	20	68	Glasgow	C	21	70	Moscow	C	18	64	Strasbourg	S	25	77
Belgrade	S	30	86	Guernsey	C	19	66	Munich	S	25	77	Sydney	C	17	62
Berlin	S	21	70	Helsinki	F	20	68	Nairobi	F	24	75	Taipei	R	29	84
Biarritz	R	21	70	H. Kong	C	33	91	Naples	S	30	86	Tangier	F	27	81
Bombay	F	30	86	Innsbruck	S	29	84	Nassau	C	34	93	Tel Aviv	S	29	84
Bordeaux	T	21	70	Inverness	F	20	68	New Delhi	S	39	102	Tenerife	F	26	79
Brussels	S	24	75	Islamabad	S	39	102	New York	C	32	89	Tokyo	S	32	90
Budapest	S	23	73	Istanbul	S	29	84	Nice	S	27	81	Toronto	R	30	86
B. Aires	C	18	64	Jakarta	C	31	88	Nicosia	S	36	97	Tunis	S	33	91
Cairo	S	30	86	Jersey	C	19	66	Oporto	C	20	68	Valencia	S	30	86
Cape Town	S	17	63	Jo'burg	S	17	63	Oslo	S	18	64	Venice	S	29	84
Caracas	R	26	79	Lima	C	21	70	Paris	F	23	73	Vienna	S	24	75
Casablanca	C	25	77	Lisbon	F	28	82	Peking	C	29	84	Warsaw	C	18	64
Chicago	R	23	74	London	C	25	77	Prague	S	20	68	Washington	S	26	79
Cologne	S	24	75	Los Angeles	S	28	82	Reykjavik	C	13	55	Zurich	S	25	77
Copenhagen	F	19	66	Luxembourg	S	24	75								
Corfu	S	32	90	Madrid	S	26	79								
Dallas	S	18	64	Majorca	S	32	90								
Dublin	C	18	64	Malaga	F	28	82								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Midland may sell equities business

Continued from Page 1

comed the negotiations because of the chance to become part of a major international group with global aspirations. The would-be purchaser, who he indicated was based in the US, was already strong in the New York and Tokyo markets, he *said, and wanted to build up its* base in the UK.

Speculation as to the likely purchaser centered on leading Wall Street houses such as Goldman Sachs, Salomon Brothers and Morgan Stanley, though none of them have so far acquired businesses abroad.

All of them declined to comment on rumours. Of the three, Morgan Stanley is the only one which is a member of both the New York and Tokyo stock exchanges.

A successful change of ownership could give a major boost to the equity operation which has been plagued by staff losses and declining morale since it was acquired by Midland.

Mexican czar down in the dumps

By David Gardner in Mexico City

RAFAEL GUTIERREZ Moreno had three diamonds studded into one of his front teeth, the hard cutting edge behind the smile of a man who earned an estimated $50,000 a week from his control of what is believed to be the world's largest open rubbish tip.

More exactly, Gutierrez Moreno's wealth and power was built on his iron rule of the 10,000 rag-and-bone men - *Pepenadores* -who work the Santa Catarina and Santa Fe tips, his private fifedom on the outskirts of Mexico City, a megalopolis of 18m.

The fly-blown dumps and no-go *areas, which help blacken the* dangerously poisonous air of the city, are said to yield profits of about $25m a year for the organisations that control them. Those who work there earn barely more than the *$3.50 a day minimum wage.*

By re-selling industrial quantities of glass, metals cardboards and paper Gutierrez Morno was able to recycle about 10,000 tonnes of waste a day into a palatial 2,000 square metre residence in the heart of Santa Catarina. This had a satellite disc on the roof and was connected by radio to his fleet of pick-up trucks, with a helicopter pad alongside. Armed guards gave protection against intruders.

The guards proved insufficient one night in March, when assassins hired by Gutierrez's wife entered the house and shot him dead. An empire, bizzare even by the high standards set by Mexican politics and provincial fudelism was unveiled.

Gutierrez was a member of Congress for the ruling Institutional Revolutionary Party *(PRI) between 1976 and 1982* during the rule of President Jose Lopez Portillo, who argued that the country's central economic problem was "the administration of abundance".

As a small part of the 70 year-old PRI regime, he was unchallengable in the dumps. His main political function was to deliver an instant crowd of 10,000 members of the Union of Pepenadores of the Federal District (Mexico City) at the drop of the PRI's corporatist hat.

In the patriarchal way common to union and rural politics in Mexico he could also resolve *rank-and-file problems* providing, for instance, a legendary trip to the seaside at Acapulco each year for all *Pepenadores* and, more selectively, by paying hospital costs or schooling fees.

It was an *obsession* with *sons* that led to the rubbish king's downfall after 25 years. Gutierrez is said to have confided to his deputies that he wanted 180 children and kept a contingent of 14 "wives" (twice as many as Bluebeard a columnist here noted) to produce them.

He had reached 39 at the time of his murder. He is said to have exercised freely a sort of *droit de Seigneur* with the daughters of union members, but over- reached himself by raping his real wife's sister and forcing her 16 year-old neice into his harem.

Indeed, lawyers have said the affair would have been treated as a classic crime of pasion but for the evidence of premeditation in his wife hiring the killer, and the size of his estimated $4m inheritence,much of it contained in numbered Swiss and US dollar accounts.

The legal battle over the inheritance (Gutierrez died intestate)is one reason the *Pepenadores* are using up rather than recycling lots of newsprint. *Only 27 of Gutierrez's family* have been able to demonstrate paternity.

The other reason, described last week in the newspaper *Uno Masuno*, whose reporters penetrated the fortress-like *Santa Catarina in a rubbish* truck, is the power struggle going on for the Gutierrez Moreno empire.

Part of the Santa Fe tip has been consolidated under the rule of a rival, Pablo Tellez, *who leads the United Front of* Pepenadores. But the rest is there for the taking with Jesus Flores, "Big Tooth", in alliance with a man named "Jaws", favoured to succeed the man with the diamond tooth grin.

"The new leader will emerge naturally," *Uno Masuno* quotes one union member as saying. "Perhaps it will be El Dienton ("Big Tooth")......in the rubbish dumps the guy who shouts the loudest gets to give the orders."

The map and tables carried on this page yesterday under the title The Tanker War in the Gulf transposed the attacks attributed to Iran and Iraq. The correct version appears today on page 3.

THE LEX COLUMN

The Atlantic gets wider

In these days of global markets, the arbitrageurs do not usually allow anomalies to persist for very long. Yet the crude oil futures market is attempting to defy this tendency towards convergence. The differential between the price of West Texas Intermediate on the New York Mercantile Exchange and the price of North Sea Brent in London has stretched to the unprecedented levels of $1.65 a barrel, *with WTI at no less than $21.50 a* barrel and Brent at a mere $19.85. There is usually a differential of around 50c a barrel, reflecting the proximity of WTI to the main area of consumption, and its greater suitability *for refining into gasoline.*

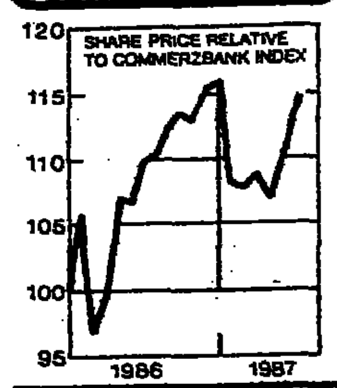
The main reason for the recent divergence in crude markets is that US investors are much more concerned than their counterparts in Europe about the possibility *of a disruption of oil supplies* in the Arabian Gulf. On Nymex, wealthy private investors with this fear can take a position with a contract of as little as 1,000 barrels of oil. But the minimum contract on the Brent market is 600,000 barrels, or one cargo. This suggests that the Nymex price is driven by private speculation, while the UK price reflects more the views of the oil industry. But whatever the reason, there must soon be either a fall in the US price, or a rise in the UK price. Otherwise US refiners will begin to reduce their liftings of domestic crude and buy more foreign oil.

Even if the price does stabilise at around $21, it does not follow that investors should increase their exposure to oil shares. Almost all the UK oil exploration companies are already trading at a very large premium to asset values which *allow for a steady appreciation* in crude prices. And BP and Shell have outperformed the FT All-Share by about 40 per cent since the end of 1985, even though they have been the losers, and the industrial companies the beneficiaries, of lower commodity prices.

Greenwell

Some of the big names of British stockbroking are now beginning to disappear. With Wood Mackenzie already in line to be swallowed up by Phillips & Drew as part of the expansion of Union Bank of Switzerland, now Greenwell's institutional equity *business seems likely to be sold* off by Midland Bank to be

Daimler-Benz



merged into a US-owned securities business.

The recent history of Greenwell is a depressing chapter of accidents. For years the equity side laboured under the shadow of the gilt-edged business, and never quite got its act together. The choice of Midland as a partner was unfortunate, and *the decision not to buy* a market making business turns out to have been a misjudgment. When the gilts side (still highly successful) was split off from the equity business in the spring of 1986 the equity operation, about number 8 in the league table in terms of volume, was in a highly vulnerable middle ranking position. The idea of merging with Samuel Montagu, Midland's merchant bank, rather than Midland itself was to avoid the worst of the culture clashes between stockbrokers and clearing bankers, but with Midland itself in crisis, Montagu turned out not to be much of a buffer. When the half-hearted *move into equity market making* was abandoned in February this year, Greenwell was left to follow James Capel belatedly down the agency-only route, but with merely a fraction of Capel's market share and research capability, not to mention morale.

Although the bond side, Greenwell Montagu Gilt-Edged, must remain a core business for a big commercial bank (which makes Lloyds' decision to pull out of bonds all the more surprising) and the private client operations fit in with Midland's retail network, Greenwell's institutional equity side has been left with nowhere to go. Small wonder that its executives are keen to find a new owner which will back the *institutional* equity business with resources and plug it into a global network of the kind that Midland is no longer capable of delivering. But there have already been serious losses of personnel, and presumably *the Greenwell name* will disappear. It takes decades to build up a securities firm, but only a year or two to tear it apart.

Daimler-Benz

The announcement of Mr Werner Breitschwerdt's premature departure as chief executive of Daimler-Benz was no doubt painful for the phlegmatic engineer, but it represents the German finance-capital system at its smooth-operating best. Despite the growing hostility towards that system, the market *evidently approved of* Deutsche Bank's strong arm tactics and yesterday pushed the share price up DM 20 to DM 1,146.

It is seldom that the banks feel the need to intervene quite so vigorously in German boardrooms; they have, after all, usually had considerable say in their composition. If the Daimler move is unusual it is because its boardroom has been the site of a peculiarly public argument over management strategy and the qualities of Mr *Breitschwerdt. Despite Daim*ler's underlying strength (and compound pre-tax profit growth of 13 per cent since 1977) such wrangles could not be tolerated for long, and the overwhelming reaction yesterday was simple relief that the uncertainty was over.

Daimler shareholders have no reason to feel ungrateful towards Mr Breitschwerdt, and the board meeting later this month - which is expected to confirm Mr Edzard Reuter as his successor - should have the heart to leave him in charge until his 60th birthday in September. However, with his roots in the car division, Mr Breit*schwerdt does not have the* qualifications to run the high-technology conglomerate that Daimler has now become. He has, for example, been inappropriately trying to impose car division management structures on the new subsidiaries. Mr Reuter is also expected to be far more interested in taking the stake in Messerschmitt-Boelkow-Blohm; the only anxiety is that he may over-compensate for Mr Breitschwerdt's lack of flair.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday July 15 1987

IBM slips to $1.17bn despite higher revenues

BY ANATOLE KALETSKY IN NEW YORK

INTERNATIONAL Business Machines, the world's largest computer company, yesterday announced profits which were roughly in line with general market expectations, but disappointed some of its new-found enthusiasts on Wall Street.

The company's shares fell $2½ to $167¼ in active morning trading, giving up most of the gains notched up in recent days on rumours that Wall Street's most closely watched company had a pleasant surprise for the market.

IBM made net profits of $1.17bn or $1.95 a share in the second quarter – 9.8 per cent down on the $1.30bn or $2.12 it earned the year before. Its worldwide revenues were up 4.3 per cent at $12.79bn and pre-tax earnings were down 6.6 per cent to $2.04bn.

Until recently most analysts forecast a net profit of only $1.90 a share for the second quarter, as IBM continued to suffer the combined effects of sluggish US capital spending and intensifying competition in the personal and minicomputer world markets.

But in the last few weeks, IBM has publicly drawn attention to strong demand for its new Personal System/2 microcomputers and has also brought forward the shipment dates of some of its powerful mainframe computers.

These developments led some analysts to bring forward their forecasts for the long-awaited recovery in the computer giant's profits.

In the event, the strong demand for IBM products, which was confirmed yesterday by Mr John Akers, the company's chairman, has not fed through into profits as rapidly as some bullish analysts had hoped.

The company's net sales margin in the latest quarter was 9.2 per cent, compared with 10.6 per cent the year before. In the first six months of 1987, IBM's net profits were $1.96bn, down 15.5 per cent on the 1986 figure while revenues were up 4.8 per cent at $23.47bn.

IBM said that the dollar's fall over the last 12 months had increased revenues by $1.52bn and improved earnings by $210m in the first half of 1987.

HONEYWELL, the US automation and electronics group which discontinued its computer business last year as part of a major restructuring, lifted operating net earnings from $43.8m or 97 cents a share to $54.3m or $1.21.

For the first six months, operating net earnings were up from $80.2m or $1.76 a share to $98m or $2.17. Last year's earnings exclude losses from discontinued operations of $7.7m or 17 cents a share in the quarter and $17.9m, or 39 cents a share for the six months.

Sales rose from $2.48bn to $3.06bn in the first half, and from $1.33bn to $1.58bn in the second quarter.

Chemical loss set at $1.1bn in quarter

By Our Financial Staff

CHEMICAL New York, the big US money centre bank, reported a net loss of $1.1bn for the second quarter of 1987, which included its previously announced addition of $1.1bn to loan-loss reserves, primarily to cover troubled Third World loans.

The loss is equivalent to $21.34 a share for the quarter. In the second quarter of 1986, Chemical earned $98m, or $1.85 a share.

For the six months ended June 30, Chemical lost $1.02bn, or $19.76 a share, compared with six-month earnings in 1986 of $201m, or $3.78.

Excluding the special provision and a related write-off of deferred tax benefits of $80m, Chemical would have reported profits of $76.4m for the second quarter, down 22.2 per cent from the year-earlier period.

The bank's primary capital ratio remained at 7.35 per cent from a year ago. Book value per share fell to $34.65 from $53.61 a year earlier.

Chemical's results include those of Texas Commerce Bancshares from May 1 1987, when the two banks merged. For this period, Texas Commerce incurred a $79.6m loss. Assets rose to $78.4bn from $56.9bn, reflecting the acquisition.

Earlier, Mellon Bank reported a net loss of $566m for the second quarter which reflected its previously announced addition to reserves for troubled Third World loans of $415m.

The loss is the equivalent of $20.67 per common share. In the second quarter of 1986, Mellon earned $55m, or $1.87 a common share.

For the first half of 1987, Mellon posted a net loss of $626m, or $22.98 a share, compared with a profit for the same period in 1986 of $115m, or $4.00 a share.

Mellon said its losses stemmed partly from the poor performance of mortgage banking subsidiaries and from its property loan portfolio. It foreclosed on several properties.

Losses also reflected problems in the trust department and costs associated with elimination of personnel.

William Hall in New York reports on a $24m suit against Saatchi & Saatchi

Beecham challenges research accuracy

BEECHAM, the international consumer products group, is seeking more than $24m in damages from Saatchi & Saatchi, the world's largest advertising agency, claiming it had "vastly overstated" the projected market share of a new detergent that Beecham launched in the US.

Beecham Products, the US arm of the Beecham Group, launched Delicare, a fine fabric detergent after Yankelovich Clancy Shulman, Saatchi's US market research subsidiary, had forecast the new product would quickly dislodge American Home Products' Woolite as the leading brand for cold-water washing of fine fabric clothing.

Yankelovich, which is a leading firm specialising in forecasting market share and projected sales volumes for new products, predicted that Delicare would achieve a share of the national US market of between 45.4 per cent and 52.3 per cent, if Beecham backed the product with $18m of media spending.

However, Beecham says Delicare, which was introduced in late 1985, did not achieved a market share even approximating Yankelovich's projections.

The highest market share was less than 25 per cent and the product generally had a market share ranging between 15 per cent and 20 per cent.

In September 1986, Beecham insisted that Yankelovich review its projections. According to Beecham's lawsuit filed in a New York court, Yankelovich revised Delicare's first-year market share down to 24 per cent and said that its initial projections had "reflected significant errors."

It is highly unusual for a major company to sue its market research firm for providing wrong advice. The case is embarrassing the fast-growing Saatchi & Saatchi which claims Yankelovich Clancy Shulman is at the leading edge of the market-research industry's "surge towards effective high-tech, value-added solutions to marketing intelligence problems."

However, Beecham says that Delicare's sales performance fell far short of Yankelovich's projections and Beecham had sustained direct losses of $24m by February 1986. It says that it would not have introduced the product and supported it with the high proposed media spending levels but for the conclusion of Yankelovich's Laboratory Test Market (LTM), a proprietary market-testing technique.

Advertising Age, an industry trade magazine, says the case could have broad implications for the industry if it is held that market research companies are generally liable for the accuracy of their projections.

Saatchi & Saatchi, which has been criticised for its recent whirlwind pace of acquisitions, said in its last annual report that Yankelovich had been "particularly successful in the development of advanced computer models, using a unique databank of product test histories, to identify and define target markets and to construct for clients product design, launch distribution and marketing programmes to ensure optimum return from their new product investments."

The Beecham lawsuit says that the forecasting errors were blamed on "management malaise" at Yankelovich which was acquired by Saatchi & Saatchi in December 1984 and subsequently merged with Clancy-Shulman which was acquired by Saatchi & Saatchi in September 1985.

The lawsuit alleges that there had been similar errors in other LTMs carried out by Yankelovich and this had necessitated a "complete overhaul" of Yankelovich management.

The "management malaise" was caused by Saatchi & Saatchi, acquiring Yankelovich, which resulted in Yankelovich being run by a management team that knew it had no long-term prospects of remaining with the company, says the Beecham lawsuit.

Layoff dispute hits Randfontein and Western Areas gold mines

BY JIM JONES IN JOHANNESBURG

DISPUTES over retrenchments affected operations at South Africa's Randfontein and Western Areas gold mines even more adversely in the June quarter than in the three months to March.

However Mr Ken Maxwell, managing director of both companies, said the mines and unions had agreed on retrenchment payments and production should begin returning to normal in the final quarter of calendar 1987.

He warned, though, that morale was low at the mines and this would take some time to improve. Both mines are managed by the JCI group.

Western Areas suffered a sharp fall in mill throughput to 881,000 tonnes in the June quarter from 964,000 tonnes in the March period and the recovery grade fell to 3.5 grams a tonne (g/t) from 3.7 g/t.

The mine had insufficient surface dump material to maintain its milling rate in the June quarter, but expects to be milling at a monthly rate of 330,000 tonnes by this year's December quarter.

Mr Bob Bertram, the consulting engineer, expects the recovery grade to approach 4 g/t by December, though this will depend on how much low-grade surface material is processed.

By the time it has completed its retrenchments, Western Areas will have cut its black workforce by 40 per cent. The unit cost of mining and processing each tonne of ore was 17.5 per cent higher in the June quarter than in the March quarter, but reductions are expected as mill throughput recovers in the latter part of the year.

Randfontein was not as badly affected by work stoppages as Western Areas and increased its mill throughput to 1.92m tonnes in the June quarter from 1.78m tonnes.

However, almost one third of the ore processed came from low-grade surface dumps and consequently recovery grade fell to 3.0 g/t from 3.9 g/t.

Mr Bertram says the mine can recover 4 g/t from its Cooke section underground ore but notes that Kimberley reef grades are lower than grades on Cooke section.

JCI GOLD QUARTERLY RESULTS

	Gold produced (kg)		After-tax profit (Rm)		Earnings (cents per share)	
	Jun 87	Mar 87	Jun 87	Mar 87	Jun 85	Mar 87
Randfontein	5,760	6,930	66.97	99.16	385.2	679.3
Western Areas	3,084	3,587	(3.83)	7.01	(30.6)	13.15

Earnings per share calculated after capital expenditure. Western Areas had negative earnings in both quarters. Figures in parentheses are negative.

Golden Dumps units increase output

BY OUR JOHANNESBURG CORRESPONDENT

CONSOLIDATED Modderfontein and South Roodepoort, the two gold mines managed by South Africa's Golden Dumps group, both increased mill throughput in the June quarter and have further increases planned.

Cons Modder has acquired the Springs Dagga mine, which is also managed by Golden Dumps, and the directors expect the merger will help lift total mill throughput to 230,000 tonnes in this year's September quarter from the 174,000 tonnes of the June quarter.

The mine's unit costs rose 19.7 per cent in the June quarter to R71.66/tonne milled from R59.89/tonne. The managers say several abnormal items contributed to the increase, that mid-year wage increases have been included fully and that costs are expected to drop in the current quarter.

South Roodepoort's expansion plans centre on its controversial acquisition of the old Langlaagte mine from Mr Loucas Pouroulis, its chairman. Mr Pouroulis is to be paid R45m ($21.8m) in cash and shares in South Roodepoort for the Langlaagte property, with the price based on valuations by Golden Dumps' staff.

The controversy lies in the cost of re-establishing mining operations at Langlaagte and the gold recovery grades the company says the property can produce. Shareholders are to vote on the transaction on July 21.

In the June quarter South Roodepoort lifted its mill throughput to 92,258 tonnes and its recovery grade to 2.92 g/t from 85,958 tonnes and 2.86 g/t.

GOLDEN DUMPS GOLD QUARTERLY RESULTS

	Gold produced (kg)		After-tax profit (Rm)		Earnings (cents per share)	
	Jun 87	Mar 87	Jun 87	Mar 87	Jun 87	Mar 87
Cons Modder	667	656	6.76	8.00	6.3	12.3
South Rood	269	246	1.58	2.09	5.0	2.7

Earnings per share calculated after capital expenditure.

Sweden says control over lending needed

By Sara Webb in Stockholm

THE RIKSBANK, Sweden's central bank, and Mr Bengt Johansson, the deputy Finance Minister, yesterday called for tighter control over the country's finance companies.

Mr Johansson said it was important to tighten regulations governing finance companies in order to increase control over them.

The measures aim to sharpen control over lending to individuals especially to buy homes, and to curb unsound loans which would damage the reputation of the credit market.

The Riksbank has already discussed ways of tightening control over lending to private individuals, in particular loans of long duration and non-amortised loans.

But according to Mr Gosta Fischer, managing director of the Finance Companies' Association, a number of finance companies have continued to give loans which are not in accordance with the agreement made with the Riksbank.

Xerox unit pays $110m for Wall St broker

BY OUR NEW YORK STAFF

XEROX Financial Services, the rapidly-growing insurance and investment arm of the major reprographic and electronics company, is buying Furman Selz, a medium-size Wall Street institutional stockbroker.

The Furman Selz acquisition, an agreed deal worth $110m in cash over three years, will make Xerox one of the biggest of the new breed of non-traditional participants in the US investment banking business.

In 1984 Xerox bought Van Kempen Merritt, a large Chicago-based broker which specialises in packaging and wholesaling municipal securities and investment trusts. Since then, several other industrial companies have bought into Wall Street, most notably General Electric, which acquired Kidder Peabody last year.

Furman Selz, which specialises in institutional research and corporate finance, has annual revenues of around $75m and ranks among Wall Street's top 100 firms. Van Kempen Merritt is ranked among the top 15 US stockbroking firms by capital.

The Furman Selz acquisition confirms the sometimes controversial Xerox strategy of diversifying into financial services. The centrepiece of these moves was the 1985 acquisition of Crum & Foster, a large property casualty insurance company.

Intel rises to record on surge in chip sales

BY LOUISE KEHOE IN SAN FRANCISCO

INTEL, the US semiconductor manufacturer, showed record quarterly revenues of $439m for the quarter ending June.

This reflects a major surge in sales of its microprocessor chips used in personal computers.

Net income for the second quarter was $46m, or 38 cents a share. For the same period last year, Intel suffered a net loss of $20m, or 17 cents a share, on revenues of $305m.

"We are happy to report record revenues and growing profits," said Mr Andrew Grove, president and chief executive.

This year's first quarter marked Intel's return to profitability after nine quarters of losses – sales for the first half were $833m, up 42 per cent from $585m for the first half of 1986.

Net income rose to $72m, or 59 cents a share, compared with a net loss of $43m, or 36 cents a share, last year. Included in 1987 first-half income is a $21m tax credit plus a $17m pre-tax gain from the sale of a building.

Intel's high performance microprocessors received the strongest demand. Mr Grove said, "We are increasing our production capacity at several plants. While we expect growth to continue we are monitoring our business for any signs of weakness."

Industry analysts expect US semiconductor sales to increase by 15 per cent to 20 per cent this year.

Christopher Lorenz looks at the $128m unsolicited bid for Arthur D Little

Trying to buy a tasty curate's egg

ARTHUR D Little, the Boston-based management and technology consultancy which on Monday received an unsolicited $128m takeover bid from Plenum Publishing, a New York publisher, is very much a curate's egg.

Some of its technology consulting activities are among the international leaders, notably in information technology; automated manufacturing; and contract research and development – its British R&D laboratory offshoot, Cambridge Consultants, has an especially strong international business.

But ADL, as it is generally known, has largely failed in its attempts to establish a convincing presence in the uppermost echelon of the consultancy business – strategic advice to the boardroom.

As a result, although the firm has one of the industry's widest international networks of offices, with 2,600 employees and although it has benefited strongly from the current worldwide boom in consulting, its growth has failed to keep pace with the industry leaders.

Its 1986 revenues of $247.96m were less than 7 per cent higher than in 1985, and its net income of $6.5m, although 9 per cent up, was only marginally higher than a decade ago, and below the 1981 record of $6.7m.

As one of the oldest-established consultancies in the world – it was founded a century ago – ADL maintained its dominance of the lucrative international market for technology consultancy well into the 1960s, before it began to be assailed by a flood of other firms diversifying from their original specialist activities.

Its initial challengers on a broad international front were Booz Allen & Hamilton, which originally specialised in manufacturing, and McKinsey & Co, which focused on organisation and strategy.

In Britain, and subsequently in the US, Scandinavia and several other markets, it has also faced increasingly strong competition from PA Technology.

Since the late 1970s it has had to confront two further sets of powerful rivals – "strategy boutiques" such as Boston Consulting Group and Braxton Associates moving down-market from their boardroom work, and cash-rich accountancy firms moving into general management consultancy.

Arthur Andersen, Coopers & Lybrand, Price Waterhouse, and Peat Marwick (now Peat Marwick McLintock) have established strong operations in information technology and other areas of mainstream consulting.

ADL's response has been to try to link its technology expertise with strategy consulting by investing heavily in research into such areas as innovation management and "the strategic management of technology".

But against intense competition, and with its own relatively low salaries, it has failed to lure many experienced strategy specialists from other firms. Nor can it compete with the top payers for bright business graduates.

As a result, much of ADL's work is still done for middle and senior-management specialists, rather than for the boardroom. Its average assignment fee and corporate earnings power is therefore lower.

All of this has, in theory, made ADL ripe for takeover for several years.

Yet Plenum, and any other predator which may now be encouraged to join the fray, faces a major hurdle as 70 per cent of ADL's stock is held by an employee trust, the Memorial Drive Trust.

Together with a number of outside trustees, ADL's management controls the trust. Much will therefore depend on how attractive Plenum – or another bidder – can make its terms to ADL's consultants.

Anatole Kaletsky adds from New York: Plenum, a publisher of scientific books and journals, has stressed that it might be prepared to increase its bid "substantially" if ADL were to provide it with additional financial information justifying a higher offer.

In addition, Plenum has offered to preserve the acquired company's identity, going so far as to change its own name to Arthur D Little Group.

It has also promised not to interfere with ADL's management structure, to retain the present chairman and management on long-term service contracts and to "investigate methods of enhancing the current compensation of ADL management and employees."

Yesterday, ADL announced second-quarter net profits of $1.78m on revenues of $62.2m, compared with $1.61m and $63.8m respectively a year ago.

Company Notices

INTERNATIONAL COMPANIES and FINANCE

Winterthur expands in Germany

BY HAIG SIMONIAN IN FRANKFURT AND WILLIAM DULLFORCE IN GENEVA

AACHENER und Muenchener (A & M), West Germany's fifth largest insurer which has Royal Insurance of the UK as a big shareholder, is selling its 37.2 per cent stake in Nordstern Allgemeine Verischerung to *Winterthur, Switzerland's* second largest insurance group.

The deal, valued at over DM 300m ($163m) based on Nordstern's share price on Monday, could in fact be worth much more as A & M is believed to have received a considerable premium for its stake in view of its size and rarity value. Some analysts put the ultimate figure as high as DM 400m.

In the past two years A & M has disposed of a 25.5 per cent shareholding in Colonia Insurance, Nordstern's ultimate owner, and 25.1 per cent of Koelnische Rueckversicherung (Cologne Re).

Earlier this year, it bought a controlling interest in Bank fuer Gemeinwirtschaft (BfG), one of Germany's biggest commercial banks, from the country's trade union movement as a key part of its strategy to develop into a broadly-based financial services group.

Nordstern, a *medium-sized* insurer with gross premiums of DM 1.68bn, is highly regarded in the German market. Though it is 57 per cent-owned by Colonia Insurance of Germany, a non-interference agreement between the two groups guarantees its independence.

The A&M, which recently launched a DM 1.34bn rights issue to help cover its DM 1.9bn purchase of BfG, has realised a sizeable profit through the share disposal. The deal gives Winterthur, which has annual premiums of around *DM 9bn, a direct foothold* in the important German market where it previously only had a large branch.

Winterthur will continue to guarantee Nordstern's independence, said A&M yesterday, adding that the deal will "give the German insurance market additional impulse."

Mr Peter Spaelti, Winterthur's *managing director, told* the annual meeting last month that he was looking for ways of expanding business outside Switzerland with West Germany, Austria and the US as the preferred markets.

Winterthur has money to spend. Over the last two years it has gathered around SFr 800m ($520m) from private placements of participation certificates in Germany and the UK and from bond conversions.

The Nordstern purchase is seen primarily as a financial investment, Winterthur said. It *was still looking for opportunities* to buy well-managed, preferably not too specialised insurance companies.

Last year, Winterthur had a premium income in Germany of DM 681m, or around 1 per cent of the German market. Worldwide the group's premium income was SFr 7.66bn in 1986 and consolidated net earnings SFr 172m.

Winterthur's general manager said that his company's talks with Volksfuersorge, the Hamburg-based insurance group, would continue despite the Nordstern deal.

He said Winterthur's purchase of the Nordstern shareholding was independent from its discussions with Volksfuersorge. "No one is under any time constraints," he emphasised.

The talks began several months ago and were instigated at the request of Volksfuersorge's owners, BGAG, the German union-controlled company. Volksfuersorge has annual premiums of around DM 4bn.

Kraftwerk Union buys Kongsberg offshoot

KRAFTWERK UNION, the West German power plant group which is part of Siemens, has bought Kongsberg Offshore System, the Norwegian technology group which designs underwater equipment for crude oil and natural gas extraction, Reuter reports from Munich.

KWU said the takeover of KOS, which is part of Kongsberg Group, the troubled Norwegian defence contractor, would allow Kraftwerk to apply its knowledge of nuclear engineering to other sectors of industry.

It would also allow KOS, which is expected to have a 1987 turnover of DM60m ($33m), to handle large orders.

The acquisition has to be approved by the Norwegian Government.

New Zealand faces banking invasion

NEW ZEALAND could soon have 30 registered banks against four now, according to Mr Bob *McCay, chairman of the New* Zealand Bankers' Association, Reuter reports from Wellington.

He said deregulation had brought competition to the industry, and hoped local banks would be given equal opportunities to compete in the home markets of foreign banks starting to operate in New Zealand.

The reserve bank is processing nine applications from financial institutions wishing to register as banks, and said yesterday it hopes to announce its decision next week.

The Government deregulated entry to the banking system on April 1, allowing institutions approved by the reserve bank to register and trade as banks.

Four banks already have the status of registered banks. These are the four former trading banks, Bank of New Zealand, Australia and New Zealand Banking Group, Westpac Banking Corporation and National Bank of New Zealand, a subsidiary of Lloyds Bank.

There are 13 savings institutions which are allowed to call themselves banks but are not considered registered. They comprise 12 regional trustee savings banks and the state-owned Postbank.

Kluwer drops poison pill tactic

BY LAURA RAUN IN AMSTERDAM

DUTCH PUBLISHER Kluwer, which is fighting off a hostile takeover bid from rival Elsevier, agreed yesterday not to use a "poison pill" tactic as *a result of a demand from the* Amsterdam stock exchange.

Kluwer's white knight *Wolters Samsom, meanwhile,* said its friendly takeover offer would remain on the table but with the prospectus reference to Kluwer's poison pill measures deleted.

The competing bids value Kluwer at over Fl 1bn ($483m).

On Monday the bourse belatedly rejected Wolters Samsom's prospectus outlining its stock and cash bid for Kluwer on grounds that it had not mentioned the secret defensive tactic in the version initially submitted to the stock exchange.

The defensive measures involved two *foundations friendly* to Kluwer that were established earlier this year and to which Kluwer last month *handed over control of some of* its most valuable assets—six publishers of legal and tax publications. The existence of the two foundations was not revealed until Wolters Samsom's prospectus was published last week.

Kluwer has agreed to suspend temporarily the foundations and reinstate them only after consultations with the stock exchange.

The two foundations were invoked as an extra line of defence against Elsevier. These defensive weapons are common among Dutch companies which *use a variety of corporate construction successfully* to thwart unfriendly takeovers.

However, the stock exchange has argued that Kluwer's use of foundations was excessive and has used its authority to bring a measure of orderliness to a takeover battle that threatens to set dangerous precedents.

Wolters Samsom's share price held up surprisingly well yesterday. The value of its bid for Kluwer exceeded Kluwer's closing price of Fl 418 by Fl 1. Elsevier's competing share and cash bid by contrast fell behind to Fl 415.80.

DSM acquires French company

DSM, the Dutch chemical group, has acquired Joly, a French plastics company, as part of its drive to strengthen its plastics division, Reuter reports from Weerlen.

The state-owned DSM, which could be heading for a stock market flotation in the near future, said the Lyon-based Joly would combine well with its ERTA division. DSM said talks were being held on other possible acquisitions, but declined to elaborate.

DSM added Pixley Richard of the US to its ERTA group in 1985 and KunstofWerk Gessmann of West Germany in 1986.

Dutch savings banks to merge

BY OUR FINANCIAL STAFF

TWO LARGE Dutch regional savings banks, Verenigde Spaarbank and Nutsspaarbank West Nederland, are in advanced talks over a merger that would make the combined company the largest of its kind in the Netherlands.

A *combination of* the two savings banks would create an entity with about Fl 12bn ($5.8bn) in assets. This is a level well below the so-called "big four" Dutch commercial banks whose assets range from Fl 70bn to nearly Fl 150bn.

However, a merger would put the two savings banks near the top of the second tier of Dutch institutions consisting of a *variety of foreign* and *domestic* commercial and investment banks, savings banks and mortgage banks.

With Fl 9.7bn of assets, Verenigde Spaarbank already is the largest Dutch savings bank, while Nutsspaarbank ranks fourth. Both banks are financially sound

The Netherlands is expected to experience continuing bank *mergers as the smaller institu*tions look for more muscle in order to compete with their bigger rivals.

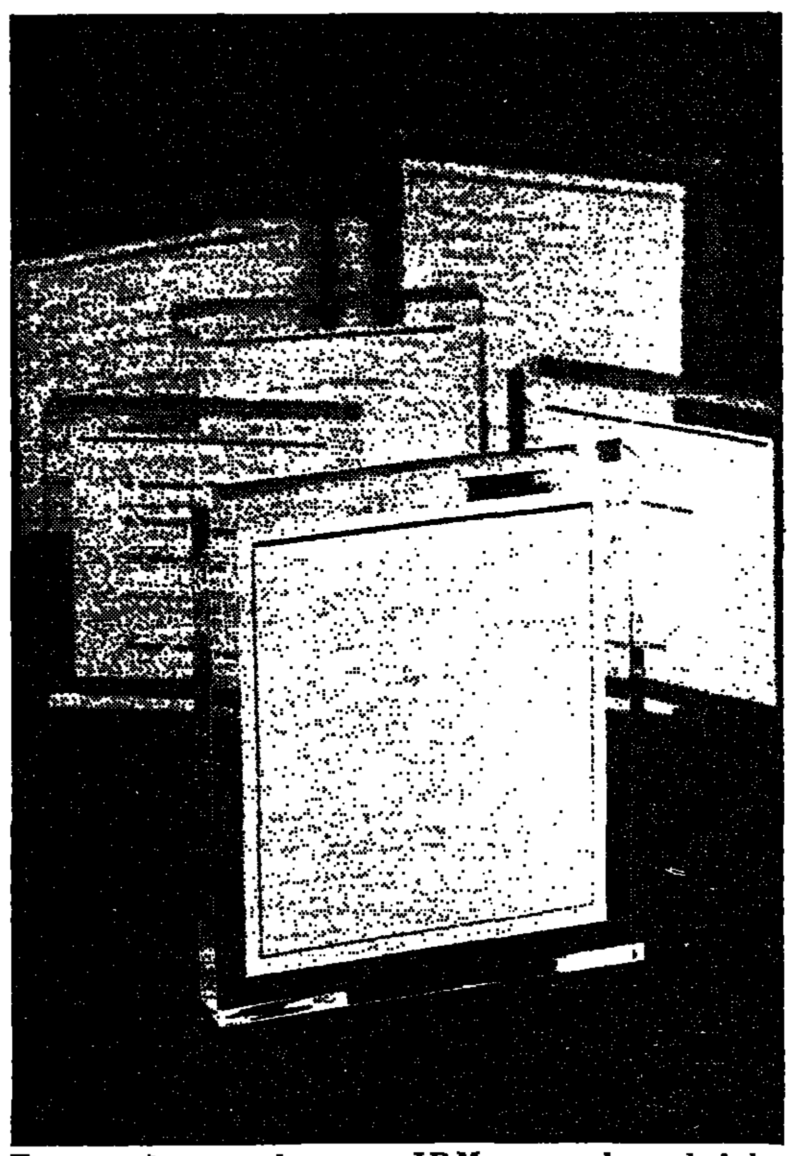
Swiss Cantobank raises capital

Swiss Cantobank (International), which is 40 per cent-owned by Mr Werner Rey, the Swiss financier, has raised its capital to SFr 120m ($78m) from SFr 80m, Reuter reports from Zurich. It said its own resources were increased to SFr 152m from SFr 92m, and that this would accelerate the expansion of the bank's foreign activities.

The bank said the capital boost, which will not affect current shareholdings, partly relates to its planned acquisition of Deutsche-Schweizerische Bank of Frankfurt from Credit Lyonnais.

"We truly succeed if there is no attack and no transaction."

J.P. Morgan's key objective as a financial advisor and defense strategist is to forestall an unwelcome approach in the first place. Fully valued companies are rarely attacked or forced to restructure under pressure. So we work with you to find and implement measures that encourage a full valuation by the market of the company's stock. If a merger is to your advantage, we'll help you get the best price at the best terms. The point is, J.P. Morgan brings a relationship focus to a transaction-driven business, a philosophy that distinguishes us from other firms. We don't promote M&A transactions simply to generate fees, but offer objective financial advice that serves your best interests.



Empty tombstone underscores a J.P. Morgan credo: we don't do deals just to generate fees. If a transaction isn't in a client's interests, we'll recommend against it.

JPMorgan

Clare Pearson on UK building societies' entry to the Euromarkets

Wholesale success by Halifax

THE CHOICES open to the finance director of a UK building society in the international capital markets have proliferated dramatically since 1983 when the societies first gained access to wholesale funding methods.

Societies, whose names would have meant nothing to the majority of international investors a few years ago, are now well-established borrowers in the sterling fixed and floating-rate bond markets. They have become increasingly reliant on wholesale funds to cope with the growth in demand for home loans.

The Halifax has so far raised £1.15bn in the sterling Eurobond market, and its issues have often taken an ingenious form. In September last year, it issued an unusual FRN linked not to three month, but to one and six-month interbank rates.

More recently, it has launched a three-year fixed rate issue that mutates into a floater. Both bonds were designed to avoid blockages in demand for floating-rate paper in the Eurosterling market.

This year, the wider vistas of the currency markets have opened up to the societies, since the 1986 Building Societies Act has enabled them to borrow in any currency provided they swap all the proceeds back into sterling.

The Halifax has been pondering opportunities in the currency markets with rather more urgency than most since, as the largest society, it was expected to lead the way.

"Our approach to the wholesale markets has been and will be planned and controlled," says Mr Richard Wheway, finance director.

The Halifax, followed closely by the Abbey National and later the Woolwich, was swift to launch a dollar bond, when permitted, at the beginning of January. But it has not so far chosen to return to that market; nor has it issued in any other currency markets.

Mr Grenville Folwell, Halifax's general manager in charge of finance, says this is explained partly by market conditions. Since early this year none of the bond markets has provided cost effective financing and the dollar market particularly has been in the doldrums.

"The opportunities are in the short-term markets at the moment," Mr Folwell says. For this reason, the Halifax chose in February to take advantage of its new powers in other currencies by financing itself in the banking market with a £300m facility allowing it to issue certificates of deposit and receive advances in a variety of currencies.

Another source of hesitation over tapping the currency markets is the problem of obtaining credit ratings from the US agencies.

"Anyone seriously going into the overseas markets will be wanting to be rated some time or other," says Mr Folwell.

"But it is a much finer decision as to whether a medium-term rating will add to our ability to borrow at this point in time," he adds.

Ratings are most important in the context of the Euroyen bond market, which has been until recently one of the strongest sectors this year. The Japanese Ministry of Finance formally requires a borrower tapping the market to be rated by an approved agency.

The difficulty is that the societies have commanded an informal market reputation as fine quality issuers of double-A or triple-A status. But the agencies, taking a medium-term view of the industry, the activities of which are changing radically at the moment, may not be able to match this standing.

It is not necesary to obtain a full rating to enter the Euroyen market. But if this is not done, the Japanese Ministry of Finance still requires a letter from one of the rating agencies saying that the borrower would at the least be rated single A. "Whether that would be an appropriate course of action for us as the world's number one building society is a matter of judgment," says Mr Folwell.

The most that Mr Folwell expects to be able to raise in one issue is £70m (equivalent) because of the complications of swapping the proceeds from yen, through dollars, into sterling.

Short-term ratings are much easier to obtain. Halifax expects to seek such a rating to be able to issue Euro and US commercial paper. It views its existing banking facilities as the first stage of a wider participation in the short-term securities markets.

The main other new factor weighing on the building societies this year has been the emergence of three mortgage-backed bonds issued by other UK mortgage lenders.

The building societies have been expected to come under pressure to sell off their mortgages, too, as they approach the limit on their wholesale funds of 20 per cent of total loan book, though there are hopes that this figure will soon be raised. The Halifax's own wholesale funding accounts for less than 10 per cent of its loans, however.

For the moment, the society is content to sit on the sidelines, and is indeed sceptical about whether a securitised mortgage market will develop in the UK. "The conditions for such a market just do not exist in this country as they did in the US," says Mr Wheway.

The society is awaiting the Building Societies Commission's guidance on a recent code of conduct for a secondary mortgage market prepared by the Department of the Environment and the Treasury. The code is likely to present the movement with a mass of practical difficulties.

HALIFAX BUILDING SOCIETY'S EUROMARKET PIONEERING

September 1985
First floating rate note by a building society

March 1986
Takes advantage of regulatory change permitting societies to issue fixed Eurobonds to swap into float-rate sterling notes

September 1986
First society to issued floated not linked to three months Libor, with a one- and six-month dual tranche facility

January 1987
First society to issue a Eurodollar bond

June 1987
First "hybrid" issue by a building society—three years fixed, two years floating

Australian banks rebuff foreign penetration

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIAN BANKS have successfully resisted early market penetration by newly-arrived foreign banks according to the first statistics to be published on foreign ownership and control of the country's banking industry.

The figures, by the Australian Bureau of Statistics, are for the end of June last year—just 16 months after 16 foreign banks were given permission to set up in Australia.

They show that foreign-controlled enterprises accounted for only 5.1 per cent of the industry's assets, whereas Australian-controlled enterprises accounted for 93.6 per cent. The remaining 1.3 per cent was controlled by joint foreign and Australian-controlled enterprises.

Foreign ownership in terms of beneficial equity interest—that is, including the interests of foreign residents in Australian enterprises — was significantly higher, at 21 per cent of the value of the industry's assets

Most foreign ownership and control was attributable to the UK, the US and New Zealand. Of the three classes of bank—trading, savings and development—trading banks recorded the highest level of foreign control, at 7.5 per cent.

The bureau's study highlights differences between the composition of assets and liabilities of the foreign banks and that of Australian banks.

On the assets side, the category "loans, advances and bills discounted" accounted for 56 per cent of the assets of locally controlled banks, but only 44 per cent for the foreign banks.

On the liabilities side, "depositors' balances" accounted for 72 per cent of Australian banks' liabilities, but only 32 per cent of the foreign controlled banks.

This showed that the foreign banks were less optimistic about growth than they were in 1985. They felt they had penetrated the leading companies and the foreign exchange and money markets, but they were less assured about the middle market, the high net worth sector and the retail market.

The domestic banks, the study said, were providing tough competition, and margins were being squeezed. Profit expectations were, therefore, lower than they had been for 1985.

US foods group lifts earnings for year

By Our Financial Staff

GENERAL MILLS, the US packaged foods and restaurants group, yesterday reported a decline in fourth-quarter net earnings from $42.2m or 47 cents a share to $36.1m or 41 cents, reflecting a $8.5m loss from discontinued operations.

Despite the downturn, the company lifted earnings for the year from $183.5m or $2.06 a share to $222m or $2.50, and said it expects higher earnings and sales in fiscal 1988.

Sales for the year rose from $4.5bn to $5.19bn, with a rise from $1.14bn to $1.35bn in the final quarter ended May 31.

The company said the outlook for each industry area it serves is promising. The year's results "exceed the company's fiscal 1987 goals and reflect strong volume gains and market share growth in consumer foods and strong performance by Red Lobster USA restaurants" and good speciality retailing growth.

In consumer foods, General Mills said fiscal 1987 earnings benefited from strong unit volume, productivity gains and improved results from domestic and European snack food operations.

Restaurant sales were up 19 per cent for the year, while operating profits grew 9 per cent. Speciality retailing sales increased 28 per cent and operating profits by 165 per cent.

The company said a gain of 14 cents a share from the second quarter sale of its furniture business was offset primarily in the fourth quarter by a charge, mainly taxes, relating to previously discontinued businesses.

The effective corporate tax rate was 48.8 per cent compared with 43.4 per cent in the prior year, resulting in lower growth of after-tax earnings. However, the company expects an eight percentage point decline in its effective corporate tax rate in the current year.

Record volume on Australian exchanges

THE AUSTRALIAN Stock Exchange (ASX) said main board turnover was a record 35.48bn shares in the year to June 30, up from 18.09bn in 1985-86, Reuter reports from Sydney.

Mr Ronald Coppel, executive director, said in a statement that the sharply higher volume reflected increased investment and trading in local resource and industrial companies by domestic and overseas institutions and private shareholders.

The share of shares traded on the main board of the ASX's six state subsidiaries jumped to A$59.41bn (US$42.7bn) in 1986-87 from A$31.25bn in 1985-86.

Mr Coppel said the Australian market was becoming more popular with overseas investors as local brokers increased representation in overseas financial centres and Australian companies were listed on exchanges in the US, the UK, Europe and Asia.

He said these trends confirmed that the Australian stockbroking industry recognised it had to participate in the internationalisation of securities markets if the country was to attract the investment capital it required to sustain its economy.

● The New Zealand Futures Exchange said a record 4,320 lots were traded on the exchange yesterday, surpassing the previous record of 3,001 set on June 4.

The exchange said in a statement a record 2,775 lots traded in New Zealand government bond futures and a record 398 bank bill contract trades contributed to the increased volume.

Simex could trade in local dollar futures

THE SINGAPORE International Monetary Exchange (Simex) will be permitted to trade in Singapore dollar futures, Mr Ng Kok Song, director for bonds and equities of the state-owned Singapore Investment said, Reuter reports from Singapore.

Mr Ng, a former chairman of Simex, told a seminar that Singapore dollar financial instruments would be of interest to local business people.

"I think in the future it would be conceivable that the exchange could move into ... domestic instruments such as the local stock market index, in which case I think the hedging facilities of the exchange would be of more direct relevance to businesses in Singapore," he said.

Simex has not confirmed it will trade Singapore dollar futures, but an exchange official said the Simex board is considering the prospects of such a contract.

Nomura stages return to with-warrants market

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

NOMURA INTERNATIONAL yesterday broke a two-week leave of absence from the market in Japanese bands bearing equity warrants. Its return suggests a further crumbling of the resolve of those Japanese issuin ghouses which decided to stay out ofthe market until last month's sereve indigestion cleared up.

The deal with which Nomura chose to break the pause was a $200m issue for Sumitomo Chemical, maturing in 1992 and carrying an indicated coupon of 2¼ per cent.

However, with the Tokyo stock market posting another weak performance yesterday morning, its reception was little better than those which led Nomura to withdraw from the market last month. The issue was offered at a 3 per cent discount to issue price in the market, but some traders reported no bid price on brokers' screens.

It was this kind of experience which led Nomura last month to persuade issuers to stay away from the market.

Nikko—which has continued to bring issues while others held back—placed an indicated 3 per cent coupon on a $50m equity warrants issue for Toyo Siusan Kaisha, a food processing company, guaranteed by Mitsui Bank. It was quoted by the lead manager outside its fees at less 3 bid.

If the market for the equity warrants deals remains tricky, there appears still to be a home for the bonds when stripped of their warrants, repackaged and swapped into floating-rate funds.

Yamaichi brought a $100m issue under the name of Sabre IV, a sole purpose Cayman Islands company. It carried a five-year maturity, issue price of 100.05 and a margin of 1/16 point over six-month Libor. That issue was backed by $143.5m of Japanese ex-warrant bonds, mostly guaranteed by AAA-rated banks.

INTERNATIONAL BONDS

Prudential-Bache, with Tokai International, used $114m of Toyota ex-warrant bonds to repackage into $80m of floating rate notes, under the name of Carps 2. That, too, carried a five-year maturity, but it paid 15 basis points over Libor and an issue price of 100.10.

Mitsubishi Trust issued, through Mitsubishi Trust International, a $100m convertible bond with a 15-year maturity, carrying an indicated 1¾ per cent coupon and a 5 per cent conversion premium.

Two deals were brought in Australian dollars. Chrysler Financial, which was an issuer yesterday in US dollars, brought a A$75m, three-year deal through Credit Suisse First Boston. It carried a 14¼ per cent coupon and a 101¾ issue price.

The other issue for Commerzbank Overseas Finance also carried a three-year maturity. Its coupon was set at 13¾ per cent and the issue price at 101¼. The A$50m bond was led by Commerzbank.

TMC Mortgage Securities was the issuing vehicle for the Salomon Brothers' subsidiary, The Mortgage Corporation. Its £100m deal carried a final maturity of November 2014, and an average life of between five and seven years. The spread was set at ⅜ point over Libor, though this rises to ½ point if the issue's life proves longer than 10 years.

Citicorp Mortgage Securities targeted about $57m of floating-rate collateralised mortgage obligation into the international market, of which the rest—something below $200m—would be sold in the US.

The paper carries a spread of 75 basis points over three-month Libor, with a cap of 12 per cent. The final maturity is 2010, but the average life is expected to be 5.45 years. Its issue price was 99.9375.

In the Swiss franc market, Union Bank of Switzerland was in the process of syndicating a SFr 200m issue for the World Bank. It carried a 15-year maturity and a 5 per cent coupon, with par pricing.

Antilles accepts US proposal

BY OUR EUROMARKETS STAFF

THE NETHERLANDS Antilles will acquiesce to a US proposal intended to preserve the withholding tax exemption on bonds issued by US companies through Antilles finance subsidiaries.

The proposal, announced in Washington on Friday, would exempt Eurobonds from the year-end termination of the US tax treaty with the Antilles.

Mr Robert Cole, a partner in the Washington law firm of Cole and Corette acting for the Antilles, said in London yesterday that the Government of the Caribbean tax haven would accept that the part of the tax treaty which applies to Eurobonds should remain in effect.

The Government would continue to press, however, for a full withdrawal of the notice of termination and would also lobby to amend so-called "grandfather" legislation proposed by the Treasury. The Treasury proposes to terminate the remainder of the treaty once the grandfather legistration is passed.

This would preserve the existing tax position of the bonds but would, he said, result in a complete and sudden loss to the Antilles Government of Eurobond revenues, which account for about 40 per cent of its income.

Noting the departure announced on Monday of Mr Roger Mentz as assistant US Treasury Secretary for Tax Policy, Mr Cole said changes of tax policy makers had in the past led to changes in attitudes toward tax issues by the US government, and might offer some hope for agreement.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 14

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94¼	94⅝	0	0	9.05
A/S Eksportfinans 7⅝ 93	100	93½	94⅛	+0⅛	−0¼	8.93
A/S Eksportfinans 7¼ 92	250	94⅛	94½	0	−0⅛	8.82
Austria 7⅞ 97	200	91⅞	92⅜	−0⅛	−0⅛	9.08
BP Capital 9¼ 94	100	101⅞	102⅜	+0¼	0	8.68
British Telecom 7⅜ 96	250	90¾	91¼	−0¼	0	9.18
Campbell Soup 10½ 95	100	107	107½	−1⅛	−0⅛	9.19
Canada 9 96	1000	100⅝	101⅛	+0⅛	−0½	8.84
Canadian Pac. 10¼ 93	100	105	105⅜	+0⅛	−0¼	9.57
CCCE 7⅛ 91	113	95⅜	95⅞	+0⅛	−0⅛	8.36
CNCA 7¼ 91	150	94½	95	+0⅛	0	8.70
Citicorp 8¼ 93	200	93⅛	93½	−0⅛	−0¼	9.75
Credit Lyonnais 9 91	200	101¼	101¾	+0⅛	−0⅛	8.47
Credit National 7⅞ 92	100	95¼	95¾	−0⅛	−0⅛	8.55
Credit National 9¼ 93	250	†102⅛	102⅝	0	−0⅛	8.55
Credit National 7¼ 91	150	95½	96	0	−0⅛	8.42
Denmark Kingdom 7⅛ 92	500	93⅞	95⅛	0	0	8.91
Denmark Kingdom 8¼ 91	300	98⅛	98⅝	+0¼	+0¼	8.67
EEC 7 91	100	95	95½	−0¼	0	8.32
EEC 8¼ 96	100	95⅛	95⅝	−0⅛	−0⅛	8.95
EEC 7¼ 93	250	94	94½	+0¼	−0⅛	8.56
EIB 7⅞ 93	100	94⅝	95	0	−0¼	8.74
Finland 7⅞ 97	200	91⅝	92⅛	0	−0½	9.17
Finland 7½ 93	200	93⅝	94⅛	−0⅛	−0¼	8.79
Ford Motor Cred. 10½ 91	150	105⅞	106⅜	+0¼	−0⅛	8.71
Ford Motor Cred. 11⅛ 90	100	106⅝	107⅛	0	0	8.27
Gen. Elec. Cred. 10¼ 00	200	103⅛	103⅝	−0⅛	+0¼	9.74
Hoesch 7⅛ 92	100	96¼	96¾	−0¼	−0½	8.29
Hoesch 7⅞ 94	300	95	95½	−0⅛	−0⅛	8.83
Hoesch 8¼ 97	100	95⅛	95⅝	−0⅛	−0½	8.97
Liberty Mutual 8½ 96	150	95¼	95¾	−0¼	−0¼	9.26
LTCB of Japan 8 91	100	98	98½	−0⅛	+0⅛	8.55
LTCB of Japan 8 97	200	92⅝	93	−0⅛	−0½	9.18
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Credit National 4⅝ 92	15	†98⅝	99⅝	+0⅝	+1¼	4.58
Denmark, Kingdom 5⅛ 92	130	100¾	101	0	+0¼	4.98
EIB 4⅝ 94	40	96¼	96½	0	+0⅝	5.27
Elec. de France 5⅛ 94	20	99⅛	99½	−0⅛	+0½	5.26
Kansai Electric 4⅝ 94	60	96⅛	96⅝	0	+0½	5.27
Kingdom Belgium 4⅝ 94	45	96¼	96½	0	+0⅝	5.26
Norway 4⅝ 92	60	96⅞	96⅞	−0¼	+0⅛	5.09
SNCF 4⅞ 93	20	98	98⅛	−0⅛	−0⅛	5.25
Sweden, Kingdom 5⅝ 95	20	101	101½	0	+0⅛	5.43

Average price change on day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux 14½ 90 A$	50	†102	103	0	−0½	13.08
Bergen Bank 15 90 A$	50	102¾	103¾	+0⅛	+0⅛	13.34
Creditanstalt 14¼ 90 A$	60	101¼	102	+0⅛	+0¼	13.39
DG Finance 14½ 92 A$	50	†107⅝	108⅝	+0¼	+0⅝	12.80
Deutsche Bk. 14¼ 92 A$	100	104⅛	105⅛	+0⅛	+0¼	12.81
Deutsche Bk. 14½ 92 A$	150	†105	106	0	−0½	12.34
Helaba Fin. 13⅞ 96 A$	75	100½	101⅛	+0⅛	+0¼	13.20
World Bank 14½ 92 A$	100	†102¾	103¾	0	−0⅛	13.08
Canadian Pac. 10⅜ 90 C$	75	103	103¾	0	−0⅛	9.29
Chrysler Corpn. 10 91 C$	75	99⅛	99⅞	−0⅛	−0⅝	9.39
Genstar Fin. 11⅜ 95 C$	75	†103⅝	104⅛	+0¼	−0⅛	10.99
GMAC 9¼ 92 C$	75	101⅛	102	−0⅛	−1	8.84
Royal Trustco 10⅜ 90 C$	75	†101⅛	102⅛	−0¼	−1	9.66
Sears Acc. 10⅜ 92 C$	75	†101⅝	102⅛	+0⅛	−0½	10.12
Coca-Cola F. C. 17 90 NZ$	75	102¼	103¼	−0¼	−0¼	15.76
Denmark 7⅜ 92 Ecu	100	99¼	99¾	+0⅛	+0⅛	7.87
EIB 7⅜ 91 Ecu	100	99⅛	100	+0¼	+0⅛	7.46
Euratom 7⅞ 97 Ecu	145	95⅞	96⅛	+0¼	+0½	7.99
New Zealand 7¾ 93 Ecu	200	98⅛	98⅝	+0¼	+0¼	8.10
SDR 7¾ 95 Ecu	90	98¼	98¾	+0⅛	+0¼	8.01
Finland 6 91 Fl	100	100¼	100¾	0	−0⅛	5.86
Mort. Bk. Denmark 6 91 Fl	250	98⅞	99⅛	0	0	6.29
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS — [illegible]

SWISS FRANC STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chiba Bank 2⅞ 02	1/87	838	195¼	195¾	−0⅛	3.36
Fuji Bank 2¼ 00	10/85	1623	†289	290	−2	−3.84
Fuji Heavy Industries 3 00	8/85	676	123⅛	124⅛	−0⅛	−2.43
Fujitsu 3 99	5/84	1189	142⅞	143¼	0	0.22
Gunma Bank 2⅞ 02	4/87	808	122⅛	122⅞	−0⅛	−3.35
Mitsubishi Bank 2⅝ 00	8/85	1715	†286	287	+2	−2.69
Mitsubishi Trust 2½ 01	5/86	1680	†274	275	−5	−9.72
Mitsui Trust 2⅞ 01	10/86	1998	148⅞	142⅞	−3	−2.08
Murata 3½ 00	7/84	1998	204⅞	106⅝	−4⅞	0.44
Nippon Elec. 2¾ 00	1/85	1295	231¾	232¾	−9⅞	129.37
Nippon Oil Co. 3 00	5/85	923	†252	253	0	−4.91
OKI Elec. Ind. 3½ 99	10/84	805	137⅞	139⅛	−0½	−1.63
Omron Tateisi 2⅞ 02	4/87	1350	107⅞	108⅝	−0⅛	0.71
Sumitomo Bank 2¾ 00	8/85	2142	†278	279	—	−3.01
Toshiba Ceramics 3 00	4/85	1734	126⅞	128⅛	+9½	6.51
Nippon Oil Co. 2⅛ 92 SFr	3/84	1001	†190	191	+15	19.65
Yokohama Bank of 2⅞ 01	10/86	1045	162	164	+2⅛	3.68

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES and FINANCE

Escorts back on the growth track

John Elliott on the emergence of a New Delhi engineering company from four years stagnation caused by India's most political and controversial corporate battle.

ESCORTS, the New Delhi-based engineering company, plans to double its turnover to Rs 8bn ($619.2m) in the next four years, having successfully launched a Rs 350m convertible debenture issue last month.

This marks the emergence of the company from four years of relative stagnation while it beat off a raid on its shares mounted in 1983 by Mr Swraj Paul, a London-based Indian-born businessman with associated companies in Calcutta, who was a close confidante of the late Mrs Indira Gandhi, then Prime Minister of India.

The rights issue, which closes today, consists of 1m fully convertible debentures of Rs 350 each. It is believed to be 15 to 20 per cent oversubscribed, which is a good result given the depressed state of India's stock markets and poor reception given to some other recent issues.

Existing shareholders have rights to 30 per cent of the issue, and the remaining 70 per cent includes 20 per cent for non-resident Indians and 5 per cent for employees.

The issue broadens the company's share base and reduces the holding of government-owned financial institutions from 52 per cent to 40 per cent. This is a significant change because the institutions played a major role in the Swraj Paul share buying row, lining up at one stage against Mr Hari Nanda, Escorts' founder chairman.

The shares raid developed into India's most political and controversial corporate battle. It formally ended a year ago when the Nanda family, which controls Escorts, bought with the help of supporters, about 850,000 shares acquired by Mr Paul.

Escorts was founded by Mr Nanda, and started its manufacturing activities in 1958 with a series of technical collaborations in the engineering and automotive industries involving companies such as Cekop of Poland for motorcycles, Ford of the US for tractors, and J. C. Bamford of the UK for excavators. It had a turnover of about Rs 3.85bn last year with profits of Rs 87.4m. The forecast for 1987 is a turnover of Rs 4.6bn and profits of Rs 200m.

But the Swraj Paul affair slowed down expansion because it diverted the attention of the family management and made it virtually impossible for the company to obtain routine official approvals, which are essential in India, from Government departments.

It also coincided with an unsuccessful $20m investment in a dry dock, which is being sold to the Indian navy, as well as labour troubles at the company's Faridabad factories outside New Delhi.

The problems slowed the introduction of a Yamaha 100cc motor cycle production line at a time when a number of competitors were also linking up with Japanese collaborators. This $48m project is backed with $6m from the International Finance Corporation arm of the World Bank. It made a loss of Rs 50m last year, but is now about to break even. It is producing 40,000 machines this year and the eventual output target is 150,000.

But Mr Nanda believes that the company is moving into a major period of expansion, with the target of doubling sales and assets within four years. New projects include a Rs400m investment in production of Swedish Dynapac road construction equipment. There are other production plans for West German Faun hydraulic mobile cranes, and French Schneider telephone exchanges.

Escorts also has an agreement with Citroen of France to produce the old 2CV car in India. But this is held up pending publication by the Government of a long-awaited new policy for motor production.

Anglovaal mines increase profits sharply

BY JIM JONES IN JOHANNESBURG

HIGHER rand gold prices allowed the three gold mines managed by Anglovaal to increase profits sharply in the June quarter. All three responded by increasing capital spending which in turn led to lower tax bills.

Operating costs were affected by higher wages paid to white miners during the June quarter, but they have still to feel the effect of the black wage increases implemented on July 1.

ANGLOVAAL GOLD QUARTERLY RESULTS

	Gold produced (kg)		After-tax profit (Rm)		Earnings (cents per share)	
	June 87	Mar 87	June 87	Mar 87	June 87	Mar 87
E. Tvl Cons	850	897	16.68	9.29	39.1	83.2
Hartebeest	7,680	8,023	80.29	62.63	21.3	34.8
Loraine	2,064	2,102	12.52	10.01	31.1	38.5

Earnings are calculated after capital expenditure and loan repayments.

Hartebeestfontein, the largest of the group's mines, reduced mill throughput for the second successive quarter. The gold recovery grade slipped to 9.9 grammes per tonne (g/t) from the March quarter's 10.1 g/t, contributing to the quarter's lower gold production. Uranium output was reduced to 104.7 tonnes from 109.8 tonnes but no contractual sales were made in the June quarter.

Loraine increased its mill throughput to 392,000 tonnes from 380,000 tonnes but this did not offset a drop in gold recovery grade to 5.3 g/t from 5.5 g/t

Eastern Transvaal Consolidated Mines suffered a further ore production decline to 85,000 tonnes from 89,300 tonnes. However, its gold recovery grade was unchanged at 10.0 g/t. Capital spending totalled R37.9m ($18.4m) in the year to June against R22m forecast at the start of the period. The main expenditure is on development of the new Princeton mine which is due to start production in the middle of 1988.

All three mines have negotiated forward sales contracts which mature in the final quarter of calendar 1987 for part of the quarter's expected gold production.

Lion Match to be sold

BY OUR JOHANNESBURG CORRESPONDENT

LION MATCH, the 64 per cent-owned South African subsidiary of Wilkinson Sword of the UK, has warned shareholders of a pending change of ownership. The transaction stems from the recent acquisition of Wilkinson Sword by Swedish Match which, in turn, is constrained by the Swedish government's ban on investment in South Africa.

Shareholders have not yet been told the name of the purchaser, but Johannesburg stockbrokers speculate that the Rembrandt group is the most likely

Last year, Lion earned a pre-tax profit of R15.6m ($7.6m) on a turnover of R147.3m. The company is the largest manufacturer of matches in southern Africa with offshoots in the countries neighbouring South Africa

IEL sells Pioneer stake

BY OUR FINANCIAL STAFF

INDUSTRIAL EQUITY (IEL), Mr Ron Brierley's Australian investment vehicle, yesterday cleared the way for CSR to assume full control at Pioneer Sugar Mills, by accepting the CSR offer for its 15 per cent stake in Pioneer.

Mr Rodney Price, IEL chief executive, said his group was taking the combined cash-and-scrip alternative offered by CSR in its A$300m (US$215.7m) bid. The result of this gives IEL roughly a 1.3 per cent stake in CSR

Mr Price declined to specify whether IEL already held shares in CSR, although this is thought likely in Sydney. Disposing of the Pioneer holding will give IEL some A$10.8m in cash as well as 9m CSR shares.

UK COMPANY NEWS

Howden Group incurs £1.3m loss

A £3.76m drop in operating profit, exacerbated by exceptional costs of Wind Park and extraordinary charges, pushed the Howden Group into an attributable loss of £1.28m for the year ended April 30 1987, compared with a profit of £7.18m.

Earnings were cut from 12.4p to 1.9 per share, but in view of the non-recurring nature of the year the dividend is maintained at 3.85p net, the final being 2.57p.

The new chairman, Mr J. D. Hume, said prospects for the current year and the future were good. New products had been introduced and the signs from the main markets were encouraging.

The group would concentrate its strategic efforts on expanding its principle business operations which serve the power generation, defence, petro-chemical, civil engineering and food industries.

Turnover in the year fell to £152.3m (£224m) from which a profit of £7.94m (£11.7m) was earned. But exceptional provisions of £7.8m this time—£6.7m in respect of the California Wind Park and £1.1m writing off development costs in Canada—left the group at only break-even of £142,000, against £11.7m profit in 1985-86.

There was a boost from a tax credit of £2.13m (charge £3.51m) but minorities of £1.1m (£726,000) and extraordinary charges of £2.44m reflecting elimination of activities outside the mainstream business (£300,000), left the group in loss.

Mr Hume said total costs associated with the problem at Wind Park would amount to £13.2m, the £6.5m balance being offset against profit previously deferred on the project. That did not take into account potential recovery from insurance claims.

The Wind Park had to be temporarily shut because of defective blades fitted to the wind turbine generators; the manufacture of those was subcontracted. The losses, therefore, arose from the costs associated with the redesign and manufacture of the blades now being executed by James Howden and the drop in sales of electricity following the shut down.

Provision also had to be made for the expected loss which would arise in the current year because the Park would not be fully recommissioned until the end of this year.

Over the year James Howden made an important contribution to operating profit despite allocating considerable resources to resolve the Wind Park problems. Howden Compressors incurred a significant loss but was radically restructured and set to return to profit.

Howden Airdynamics substantially increased its contribution and accounted for over 25 per cent of turnover.

Net borrowings at April 30 totalled £7m, compared with net cash last time of £4.6m. Substantial cash outflow was caused by a large reduction in progress payments as certain long term contracts reached maturity and a shortfall in revenues to offset against costs incurred on the Wind Park. Those financing costs would continue for the time being, Mr Hume stated.

● comment

The last financial year has been a catalogue of disasters for Howden, and it would probably be too much to hope that its difficulties are entirely over in spite of the optimism of yesterday's statement. Although provisions have been taken against costs and losses still to come from the wind farm and toxic waste projects, the consequent cash outflow has yet to take place. This combined with the fizzling out of pre-payments on contracts now at maturity will transform a group accustomed to a comfortable net cash position into one with gearing approaching 50 per cent by the current year end. On the plus side, some £2m worth of loss elimination at Howden Compressors and reasonable advances by the tunnelling operations and Airdynamics should help the group to an overall £9m pre-tax, but that is still only what the group was making five years ago. One day the group may hope to gain from the CEGB's orders for new coal-fired power stations, but that is still two years out: in the meantime, the best justification for holding the shares on a prospective p/e of 11½ at yesterday's 113p is the possibility, however remote, that somebody might bid.

Medirace tests Third Market

BY PHILIP COGGAN

A NEW product is about to be tested on investors—the Third Market's first fully fledged offer for sale. Sponsors and budding market entrants will be watching closely to test the public's reaction after the quiet start made by the new tier so far.

The company, Medirace, has no commercial record and its principal asset consists of a right to exploit research into the use of fatty acids in the treatment of AIDS and cancer patients.

Research by a group of doctors seems to indicate that AIDS and cancer patients have cell membranes with abnormal fatty acid composition; by stabilising the composition with a compound called Contracan, it is hoped that the proliferation of malignancies and the replication of the AIDS virus can be halted.

However, these tests are at a very early stage, and it is currently impossible to be sure whether the research will have any commercial applications. Further research is expected to take between one and two years, by which time it is hoped that the prospects for using Contracan as a treatment for AIDS and cancer will be established.

The structure of the offer is as unusual as the company's background. Medicare is looking to raise only £1.2m, a small amount for an offer for sale, and shares are being offered in units of two, with a warrant attached.

Each 50p ordinary share is being offered at £1, and the warrant will be freely convertible into a further ordinary share. The cost of each unit is, therefore, £2.

In all, 60,000 units are on offer and, if all the warrants are exercised, 1.8m shares will be issued, 12.7 per cent of the enlarged equity.

Applications are expected to close on July 20, and dealings are planned to start around the end of the month. Brokers to the issue are T. C. Coombs.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
BBB Design	‡1.5	Sept 4	—	1.5	—
Country Properties int	1.8	Oct. 30	1.7	—	4.3
Denmans Elect ...int	1.4	Aug 20	1.35	—	3.85
Egerton Trust ...int	1.25	—	0.5	—	1.75
Fleming Overseas	1.25	Oct 19	1.75	2.25	2.75
Greene King	4.5	—	3.89	6.46	5.6
Howden Group	2.57	—	2.95	3.85	3.85
Moorgate Inv	11.5	Sept 1	9.7	16.5	14.2
Alfred Preedy	3.15	Oct 2	2.87	4.15	3.87
St Andrew Trust ...int	1.5	Oct 1	1.25	—	3.5
Scot & Merc Inv	3.6	—	3.1**	5	4.5**
Sekers Int	1.75	Oct 16	1.65	2.65	2.5
Eliza Finsley	2.2	Oct 1	1.89	3.2	2.89

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ** After share subdivision.

New Tokyo Invst.

NEW TOKYO Investment Trust: Net asset value per 50p share was 174.9p at June 30 1987 compared with an adjusted figure of 162.2p at December 31 1986. In the six months to June 30, net assets, including investments at market value, were £74.3m (£68.84m). The loss before tax was £96,000 (£17,000). Loss per share was 0.29p (0.12p).

CRESCENT Japan Investment Trust: Net asset value per 50p ordinary share 176.6p (131.9p) at end of six months to June 30 1987.

M Y HOLDINGS has acquired Humberside Packaging for £1.5m. The consideration is to be satisfied as to £750,000 in cash, and £750,000 in shares.

Heavy response to BAA tender

By Richard Tomkins

The response to the tender element of the £1.225bn offer for sale of shares in BAA, the former British Airports Authority, appears to be running at unexpectedly high levels.

The receiving banks were yesterday sorting through the first big delivery of application forms since the offer opened last Friday. Figures on the number of applications for the fixed price part of the offer were not available, but the response was said to be heavy.

The tender part of the offer, representing a maximum of 25 per cent of the total shares being sold, was expected to appeal mostly to professional investors and City institutions. However, the postbag from smaller investors is said to be running into many thousands. There is on evidence so far that unrealistic bids are emerging in significant numbers.

With only one day left before the close of the offer at 10 o'clock tomorrow morning, and with stock market conditions still favouring the issue, most analysts are recomemnding bids at up to 270p in the tender offer.

IG Index, the financial bookmakers, are running a book on BAA's opening price quoting a price of 276p/282p fully paid for the end of the first days' dealing. However, the firm acknowledges that business is light.

County Properties falls to £2.15m

County Properties Group, investment holding company, reported lower pre-tax profits of £2.15m in the six months ended March 1987, against £2.93m. Turnover fell from £3.63m to £818,000.

The figures show a loss on property activities of £84,000 (£408,00 profit) but include £2.23m from related company, McLeod Russel.

The interim dividend is 1.8p (1.7p) and the directors expected to recommend a total at least the same as last year's 4.3p.

Greene King's growth eases but profits rise 11% to £12.5m

EAST ANGLIAN brewer, Greene, King and Sons' growth rate eased in the second six months of 1986-87, and after a gain of 15 per cent in interim profits, the outcome for the full year to May 3 last was an 11 per cent improvement from £11.27m to £12.51m at the pre-tax level.

Margins, pre-tax to sales, were better at 13.3 per cent compared with 12.5 per cent for the previous year, and 10.8 per cent for the first half of the year.

Mr John Bridge, chairman, said that in spite of intense competition, sales of beer by volume were about the same as in the preceding year—with more than half being sold in outlets other than the company's own.

Mr Bridge said the total capital expenditure programme for 1987-88 amounted to £13m, and £8m of that was being allocated to the improvement and expansion of the retail estate.

Seven pubs had been built or acquired during the year and a further 28 had major alterations.

The periodic revaluation carried out during the year produced a figure just over double the value of the company's property assets shown in last year's accounts. The resulting surplus of £74m over book value has been included in the accounts for the year.

Group turnover rose from £90.16m to £93.85m, and the operating profit was up from £10.29m to £11.71m.

There is a final dividend of 4.5p (3.89p) to make a total payment of 6.46p (5.6p).

● comment

Greene King narrowly outperformed the lower end of market expectations despite static beer sales, and reports underlying operational profits growth of 16 per cent. Against a background of unchanged national beer consumption it could be excused for not growing quite as fast as before, and it has taken the sensible step of expanding out of its drinks base with Sports Nationwide and its Butterfly Hotels holding. It has on its side access to a good territory in East Anglia—economically one of the fastest growing areas in the country—and its asset revaluation, which has taken its nav from 243p to 413p, above today's share price of 399p. But that share price is as ever buoyed by constant bid speculation. Put that aside and its prospective p/e of just under 18 on a pre-tax forecast of £14m makes it look more than fully valued and at a substantial premium to the sector.

Egerton in £10m diversification

BY NIKKI TAIT

Egerton Trust, the building and property group the interests of which include sheltered housing, housebuilding, property development and aggregates, yesterday combined the announcement of £10m purchase of a privately-owned building and development group with sharply increased interim profits at £1.51m before tax.

The acquisition by Egerton of G. Percy Trentham, a privately-owned building and civil engineering company with various property interests, is its first move into mainstream construction since the new management took over in 1986. Trentham made a pre-tax profit of £826,000 in 1986 (£657,000 in 1985) on sales of £75.3m and is based mainly in London and the South East. However, Mr Frank Sanderson, Egerton's chairman and chief executive, warned yesterday that the first half of the current year had not been particularly good.

The company is 70 per cent family-owned, with institutions holding the remainder. Family shareholders speaking for 43.3 per cent have given irrevocable undertakings to accept. The terms of the offers are 14 Egerton for every five Trentham, with an underwritten cash alternative of 700p a share. With Egerton up 2p to 283p yesterday, that values Trentham at just over £10m, in line with its net asset value, and the shares issued will represent 13.8 per cent of Egerton's enlarged capital. Gearing will stand at around 50 per cent post-acquisition, with 40 per cent the year-end target.

Egerton's interim figures show an increase in pre-tax profits from £647,000 to £1.51m on sales more than trebled to £10.6m. Operating profits rose from £802,000 to £1.77m.

Yesterday, Mr Sanderson said that the US interests had added around £900,000 at the pre-interest level; property development and general housing around £350,000 each; and sheltered housing some £150,000. The healthcare interests made a £100,000 loss but are expected to break-even in the second half. At the earnings per share level, the increase was 44.7 per cent, to 4.79p and there is an interim dividend of 1.25p.

M. Brown in £13m deal

BY CLAY HARRIS

Matthew Brown, the Blackburn-based brewer, is to pay £12.6m to buy a 50 per cent interest in Langdale, a leisure company heavily involved in timeshare developments. The acquisition price, funded by the issue of new shares, includes £8m of new capital for Langdale.

The purchase is intended to give the brewer an entry into the fast-growing leisure sector. It will appoint half the directors of Langdale, which will be operated as a joint venture.

Langdale was formed in 1981 to develop a 25-acre timeshare, hotel and country club resort at Great Langdale in the Lake District.

Aspect Leisure, a subsidiary, is joint manager of the Lazard Leisure Fund. Trading as a partnership until April 1986, Langdale has warranted pre-tax profit of £1.4m in the 13 months to May.

More than 80 per cent of the 2.08m new Brown shares have been conditionally placed by Schroders. Existing shareholders will be able to claw these back, pro rata to current holdings, at the placing price of 610p. Brown shares lost 6p to 663p.

Squirrel sells confectionery side for £2.3m

By Steven Butler

Shares of Squirrel Horn, the food group, yesterday jumped 21 per cent to 175p after announcement of the disposal of Squirrel Horn's loss-making confectionery operation to Alma Holdings for £2.3m.

Mr Patrick Fox, Squirrel Horn managing director, said the disposal set the stage for a turnaround of the company, which has lost money for the past four years.

The Squirrel Horn trademark will pass to Alma, and Squirrel Horn will change its name to Ptarmigan Holdings.

The new board of Squirrel Horn, appointed in January, is moving the group further into the seafood and food processing

Allied Plant in £8m purchase and cash-call

Allied Plant Group, the building services and fork-lift truck hire and distribution company yesterday announced a £4.05m rights issue and the acquisition of Tiger Holdings, the rail car supplier, for a maximum of £7.9m.

The company will also be spending £3.02m for the purchase of assets from Vernons Plant, which is involved in the distribution and hire of fork-lift trucks.

The Tiger Holding acquisition is to be funded by the issue of 7.1m new ordinary shares initially, with a further £3m payable depending on future profits performance.

The £4.05m will be raised by the issue of 5.87m new shares, with the proceeds used for the Vernons assets purchase.

Equity & Law new business disappoints

BY NICK BUNKER

Equity & Law, the life assurance company, fell short of market expectations yesterday with half-yearly new business figures showing a rise of only four per cent in total new annual premiums and 13 per cent in new single preiums.

Stockbrokers' analysts had been hoping for a rise of more than 15 per cent in new annual premiums. Equity & Law's shares closed down 15p at 354p.

Some analysts interpreted the company's UK sales figures as a sign that the Financial Services Act is already starting to buite on shareholder-owned life companies like Equity & Law.

Analysts believe that when it comes fully into force in 1987 it may cause a decline in the volume of traditional "with-profits" business sent by independent intermediaries to shareholder-owned companies as opposed to mutuals.

Mr Duncan Kerr, Equity & Law's chief actuary, said the UK figures had been significantly better in the second quarter than the first, suggesting that early in the year intermediaries were confused about where they should send business.

New single premiums were £87.9m (£78m), with a big jump in personal investment premiums from £28.3m to £42.6m, but a fall in managed fund new business premiums from £15.4m to £4.2m.

New annual premiums totalled £26.6m, up from £25.6m in the first half of 1986. Overseas business—from Belgium, West Germany and the Netherlands—showed a 54 per cent jump to £7.7m.

New mortgage-related UK life business remained static at £3.7m, in spite of the buoyant house purchase market. New annual premiums fell for most classes of UK business, with individual pensions down from £7.4m to £6.4m. Group pensions were £3.7m (£4.4m) while general protection and savings business was down 20 per cent at £3.2m.

Personal investment new annual premiums rose 72 per cent to £1.9m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Airtours, March, Trust of Property Shares, Union Discount.

Finals: Authority Investments, H. P. Bulmer, Dixons, Graig Shipping, MS International, John Michael Design, Parkfield, Tops Estates, Wyko.

FUTURE DATES

Interims:

Ealing Electro-Optics	Aug 5
Edinburgh American Asset Tst	July 23
Hill and Smith	July 30
Persimmon	Sept 7

Finals:

Arlen	July 22
Border Television	July 22
Firth (G. M.)	July 22
Kenyon Securities	July 17
Ransom (William)	July 28
	July 21

UK COMPANY NEWS

Fergabrook losses rise to £4.5m and no dividend

BY TERRY POVEY

Fergabrook, the toy distributor, has reported a pre-tax deficit of £4.55m for 1986 and has passed its dividend following heavy trading losses in all divisions coupled with major stock and start-up cost write-offs. A loss of £1.87m was reported for 1985.

The USM-quoted company depends heavily on the successful marketing of toys representing characters from popular children television series such as the "A Team" and "Thundercats." Among last year's problems was the failure of Smarty, an expensive talking bear which did badly in a market flush with speaking toys.

Over the last year Fergabrook has changed bankers—from Hill Samuel to Barclays—appointed a new managing director and finance director and made many changes at operating levels and taken on a new financial public relations firm. The company's brokers, Wood Mackenzie, resigned nen months ago but have continued to act while the search goes on for a replacement.

When Fergabrook came to the market—via a £1.8m placing by brokers Hitchens, Harrison at 74p a share—it forecast profits of £2.25m for 1984, up sharply from the previous years £335,000 thanks to the "A Team."

In the event, the forecast was exceeded by £330,000, but the unhappy £5.4m acquisition of 80 per cent of Tritrade, a wholesale distributor of DIY, gardening and hardware products, plus a fall off in demand for "Mr T" and friends led to a collapse of profits and resulted in a loss of £1.87m being posted for 1985.

This lossmaking trend continued into 1986 and "these pretty frightful set of results represent the clearing up of a large number of problems," according to Mr Christopher Adams, managing director since June 1986. The new management team is still considering whether to commence legal action over TriTrade, which has made a loss since acquisition, which could involve a case against its vendors and auditors, Deloitte Haskins & Sells.

However, TriTrade has recently been sold for £600,000 net of debt repayments—although a further £238,000 was spent buying out the TriTrade minorities' shares and service contracts. As a result of rationalisation prior to sale, TriTrade's pension fund was £1m in surplus on an after-tax basis and this has been used to partially offset the £2.4m extraordinary write-down cost incurred on the sold business.

Together with sales of part of the company's investments and the costs of the rundown and closure of its clearance business—the bulk buying of unwanted stocks for sale into the bottom end of the market—this produced an extraordinary charge of £1.47m, leaving an after-tax loss of £5.42m. The loss per share was 15.6p (loss of 8.29p).

Two years of trading losses, write-downs and extraordinary charges have pushed Fergabrook's revenue reserve account deeply into the red—the consolidated balance sheet shows £6.27m. Mr Adams believes that a capital restructuring, possibly involving the redeployment of the group's £5.07m share capital and £3.61m share premium accounts, will enable to positive reserve to be established. This would require shareholder and High Court approval.

Fergabrook's share price fell 4p to 39p on yesterday's results.

Ratners to pay £0.2m to two top executives

By Clay Harris

Ratners Group, the jewellery group which last year paid a "golden handshake" of £535,000, plans to give the two top executives of its latest UK acquisition five-year contracts at annual salaries of £100,000.

Mr Michael Weinstein and Mr Philip Weinstein will continue as joint managing directors of Ernest Jones, the family-controlled jewellery chain which Ratners has agreed to take over for £25m.

Their £100,000 salaries do not take into account the pension and health insurance contributions and cars which the brothers will also receive. The contracts can only be cancelled with five years' notice by either side.

Ratners last August agreed to pay £535,000 to buy Mr Anthony Edgar out of the four remaining years of his service contract. Only four months earlier, Mr Edgar had become Ratners chairman when the group bought his H Samuel chain to take first place in the UK jewellery market.

Mr Gerald Ratner, chairman and chief executive, publicly described Ernest Jones as a "mess" when the agreed takeover was unveiled earlier this month.

Jones last week provided some confirmation by reporting pre-tax profits of £146,000 in the year to March, against £1.69m in the previous 18 months. Ratners' 250p share offer values Jones at 1,250 times its 1986-87 earnings.

Ratners indicated yesterday that the executive positions for the Weinstein brothers formed part of the agreement which secured the Jones board's recommendation. Ratners is known to be interested primarily in the 61 Jones stores, two thirds of which are in enclosed shopping centres.

Jones' chairman, the Weinsteins' father, Ernest, will continue to be employed under the terms of his current contract until the end of the year, after which he will act as a consultant for three years for an annual fee of £10,000.

In Jones' most recent report and accounts, for the 18 months to March 1986, Mr Ernest Weinstein was the highest-paid director, receiving £51,472 (on an annual basis). The next highest-paid received between £40,000 and £45,000.

At Sterling, the much larger US acquisition announced on the same day as the Jones deal, Ratners will pay a base salary of $450,000 (£280,000) to Mr Nathan Light, president and chief executive officer. He will also receive an annual basis of 1.5 per cent of Sterling's pre-tax profit over $6m.

Spong profits more than doubled in first half

Spong Holdings, the housewares, retail services and clothing group, more than doubled pre-tax profits from £58,000 to £148,000 for the half-year to April 30 1987. Sales were virtually unchanged at £7m.

Mr Stephen Barclay, chairman, said that the directors intended to pay an increased final dividend which would compensate for the absence of an interim payment. Although Spong has not paid interims for a decade, it is anticipated that interim and finals will be declared in future years.

The chairman reported that substantial progress had been made in establishing the group's three divisions.

The clothing division had in the main overcome the fire in March 1986 and was well on the way to recovery, while Kinch and Lack, the clothing retail business, continued to expand with the opening of a new branch in Dundee and the proposed modernisation of stores in Worthing and Guildford.

Last month's acquisition of Norank Systems, designer and maker of retail display systems, had firmly established Spong in the retail merchandising service sector. Norank's progress in 1987 to date was above planned expectations, said Mr Barclay, and it would make a valuable contribution to group full year profits.

Tax charge this time was £33,000 and earnings per 5p share were 0.18p (0.15p) undiluted or 0.27p (0.19p) diluted. Last year there was also an extraordinary credit of £4,000.

BBB jumps to £0.8m

BBB Design Group, graphic design, specialist marketing, publishing and printing services group, reported pre-tax profits up 52 per cent from £531,000 to £806,000 for the year ended April 30, 1987. Turnover grew 37 per cent to £2.55m.

The company is paying its first dividend—a combined interim and final—of 1.5p for the year. Earnings per 5p share rose by 2.1p to 6.27p, after tax of £287,000 (£186,000).

BBB, which is quoted on the USM, said it looked forward to another successful year.

The company said its design and marketing activities were expected to benefit from increased awareness in the business community of the importance of these services, and from the larger sales team which BBB was continuing to build.

In the data communications business, the company was confident that growth in existing areas would continue.

The graphic services offshoot, BBB Design, again achieved a strong profit performance and the computer bureau activities of BBB Communications continued to expand strongly.

The marketing division secured business with a major Blue Chip client and was expected to be a growth area. Publishing achieved higher revenues from existing activities and added a further publication during the year. BBB Typesetting's prospects were good.

WPP gains 97% of JWT

By Nikki Tait

WPP, the British marketing services company transformed over the past two years from a former shopping trolley manufacturer under the guidance of former Saatchi & Saatchi finance director, Mr Martin Sorrell, has emerged triumphant in its $566m bid for JWT Group, the New York ad agency and PR company.

At midnight on Monday, when the $55.50-a-share cash tender offer closed, WPP either owned or had received acceptances in the tender in respect of 9.4m shares—around 97 per cent of JWT's equity.

The high level of acceptances will enable WPP to mop up the outstanding equity and complete the merger quickly. The 213m rights issue to help fund the deal will now go ahead, with the documents due to be posted today.

Mr Sorrell, together with finance director, Mr Robert Lerwill, are now back in the US and installed at JWT. Although there was general delight at the outcome among JWT and its advisers—coupled with some relief that the tender period had pased uneventfully—Mr Sorrell himself was typically low-key. "It's early days," was his immediate reaction, maintaining a silence on speculation about the prospective inflow (or outflow) of JWT clients in the wake of the merger.

WPP shares added 10p to 965p.

Denmans starts its recovery

A 21 per cent increase in pre-tax profit for the half year ended March 31 1987 is reported by Denmans Electrical, Bristol-based electrical wholesaler.

"We are now moving forward again after last year's setback and expect to maintain a recovery in the second half," said the chairman, Mr Arnold Denman.

In the year ended September 30 1986 profit fell from £1m to £859,000. In a competitive market the company was unable to offset increase in costs, including the development of new branches.

Turnover in the latest six months expanded from £9.74m to £11.26m and the profit came to £540,000 (£445,000). After tax £241,000 (£193,000) earnings worked through at 7.3p (6.1p) and the interim dividend is raised to 1.4p net (1.35p).

A. CAIRD AND SONS, Scottish property and investment company, has acquired the freehold property situated at 28/30 Rivington Street/6 Garden Walk, EC, for £350,000. This will be met by the issue of 155,556 shares at 225p each to the vendors, Energy and Marine Industries.

Rothmans to redeem bonds

By Terry Povey

Rothmans International is today notifying shareholders that it is redeeming early the outstanding £26m of the £107m nominal value sterling/Deutsche Mark convertible bonds issued in 1972.

Holders have until July 23 to choose whether to be repaid in shares or cash. If all bondholders accept shares, Rothmans' issued capital will rise by some 15 per cent over the March year-end level. Both classes of convertible—the "junior" 6.95 per cent 2012 and the "senior" 6.25 per cent 1992—are being redeemed on August 6.

In the notification Rothmans points out that whereas the junior bonds redeem at par—for every £100 nominal a payment of £100—the share equivalent is worth almost £603. For the senior bonds, the cash settlement would be £202 compared with the same share return. The exercise price for the share conversion is 67½p.

Assuming full conversion and no fall to reflect dilution, Rothmans market capitalisation will pass decisively through the £1bn mark, reaching £1.21bn at last night's close of 409p.

COMPANY NEWS IN BRIEF

SOUTHEND STADIUM is to acquire a block of 21 properties in the Tottenham Court Road area of London for £15.5m in cash which will be provided by bank loan. The portfolio will form part of the company's stock of properties.

INTERNATIONAL SIGNAL & CONTROL is to purchase Communications Systems Research, a Yorkshire-based specialist in proprietary satellite communications systems and software with a customer list including British Telecom, Ferranti and Plessey. The consideration will be £3m to be satisfied in cash and by issue to the vendors a maximum of 300,000 ordinary shares.

RANSOMES SIMS AND JEFFERIES (Ipswich - based grass and farm machinery manufacturer) has reached agreement with the joint receivers to purchase most of the assets of Henry Livesey and Nu-Dale Engineering, the Blackburn forging businesses, for £330,000 cash. The Blackburn company will continue to supply quality forgings to existing customers and to the parent company.

UNITED Guarantee Holdings announced that of the 2,596,650 new ordinary shares offered to shareholders on a one-for-ten basis at 45p each 2,209,490 or 85.09 per cent have been taken up. Underwriters have been allocated the remaining 387,160.

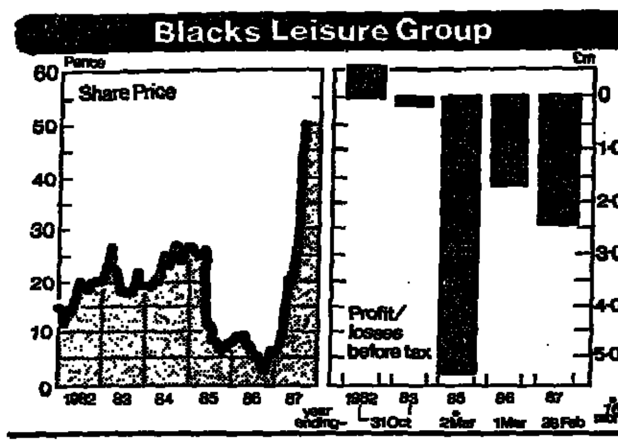
HARMONY LEISURE Group is to pay £6.1m for nine freehold and two leasehold public houses from the Wiltshire Brewery. Three of the houses are in Essex, and the remainder in south and west London.

TARMAC: Company has acquired through its US subsidiary, Tarmac LoneStar, Tara Clay Products, which trades as the Old Virginia Brick Company, in Salem. Consideration is approximately $6.75m (£4.17m).

UK COMPANY NEWS

Nikki Tait looks at Blacks Leisure where the shares have jumped in recent months

Faith that will take some living up to



CORPORATE Lazaruses do not have an impressive track record. But is Blacks Leisure, the ailing camping and leisurewear group, about to prove that wrong?

The company is certainly making money for any brave souls who plunged in nine months ago when the shares price had slumped to 2½p and receivership loomed; today, the shares are back to 50½p. Not least of the beneficiaries is Mr BernardGarbacz, the Wembley-based accountant who led the three-man rescue consortium which injected the first £1m. His initial 31.4m shares—then costing £942,000 at 3p—are currently worth £15.8m.

But then the market has never taken a particularly rational attitude to recovery plays, where information inevitably lags the management change and a backlog of bad news usually has to be cleared.

It is an ineffiency which has greatly benefited the new Blacks team. In classic style, it has raised increasing sums of money on the back of a market's rising faith in new management and is starting to buy its way out of trouble. But investors, served only the rump of awful trading figures, may still question whether their confidence is justified.

Past precedents are not good. Up until 1980, Greenfields Leisure) had a 40-year history of consistent if unremarkable profits — 10 as a quoted company. But that year, with the number of branches increasing from 52 to 73 and higher interest charges taking a £1m bite, profits slumped from £1.05m to £14,000. The following 12 months produced a £1.87m loss.

There was the inevitable round of cost-cutting and property sales but only switchback performance. In 1984, Mr Murdoch Morrison injected his own Blacks Camping business — itself bought out from Hawley. Greenfields then had 69 outlets; Blacks 29.

A £4m rights issue eventually followed (largely left with the underwriters); so did management changes, and the sale of all but four of the Greenfields stores. Still the losses mounted. And when Sears, having just purchased the Milletts chain, made a £3.3m cash offer a year ago, Blacks said it could not continue trading if a rescue bid did not succeed.

Mr Garbacz, a senior partner at accountants Landau Morley, had already expressed an interest. He was introduced, he says, by Mr Leslie Lesser—an "old school chum," and director of Greenfields Leisure up until 1984. Sears narrowly won its bid but withdrew — deterred, it claims, by the prospect of a large dissident minority.

Anyway, within 48 hours, Mr Garbacz, Mr Lesser and Alan Thornton — the 39-year-old son of former Debenhams chairman, Robert Thornton had arranged their £1m cash injection. In return, they got a 37.46 per cent stake.

Mr Garbacz is no newcomer to companies down on their luck. He was part of the consortium which made an agreed £24.9m bid for Waring and Gillow in 1985. The company, which was taken private, has prospered and plans a market relaunch by end-1988. He was also one of the many investors in Milford Docks.

Unlike the earlier Blacks boarders, the accountant's instinct was to raise money fast—£3m via a six-for-five rights issue at 3p in November. But the health of the company, despite that, was scarcely blooming. By February there were net assets of under £½m, with no freeholds or long-leaseholds left, and a deficit on the P&L of over £10m. Trading losses in 1986-87 mounted from £1m to £2.1m while turnover dropped from £9.2m to £6.6m.

The plus point, however, was the clearance of any crippling debt—a year earlier, borrowings had stood at £2.8m but that was turned into cash of £849,000 offset by £1m of short-term borrowings.

On such a skeletal balance sheet the need to inject must have looked imperative. In March, Blacks picked up two sport shop chains, Howard Sport Shops with six outlets in the North West and Sullivan Sports with three in Liverpool. The total deal was just under £1m paid for via the issue of more paper—some of which was placed at a 13 per cent discount.

Neil Howard, the former's founder, has stayed on as managing director of the two companies—and one former Greenfields shop (in London's Holloway Road) has been transformed to a Howard's outlet with two new ones coming on stream in Winsford and Preston.

"It was," says Mr Garbacz, "the ideal acquisition—it took nil cash and nil management time." Better still, it brought in combined assets of just under £½m, and Howard warranted net profits of not less than £200,000 in 1987-88.

The second acquisition, the quoted Gee-Rosen organisation, looked marginally less happy. The men's fashion designer supplies the likes of Burton and holds some 80 retail concessions. It had come to the market just two years perviously but seen 1986-87 pre-tax profits tumble from £377,000 to £127,000 after stock thefts totalling £120,000.

It was Mr Garbacz who made the approach. "Why did they want to sell?" he ponders. "Well, we got on quite nicely and I think they found the corporate side a bit much."

Any on-going qualms about last year's profit drop, he suggests, should be placated by the warranted profits of not less than £350,000 this time round. Again, the vendors took more paper and net assets of £850,000 rolled in.

Simultaneously, Blacks launched its second cash call—raising £8.1m, this time at 13p a share. Now, the company is talking about a third purchase, again on the sports line.

But buying in profits is no great skill—even if persuading vendors to take Blacks' paper is. The key question-marks must hang on the overhaul of the Blacks chain itself.

The idea, maintains Garbacz, is to retain a group of 40-50 outlets offering specialist goods for the upmarket camper/hiker. Having taken over some 40-odd stores, one has been converted to a Howards shop and half a dozen closed, leaving 37. Garbacz does not rule out further rationalisation—it cost over £1m below the line last year—but adds that there are certain centres where the group could also sensibly open (the Lake District or Oxford, for example).

But do the economics of that kind of group make sense? The basic gross profit margin at Blacks, says Mr Garbacz, are around 50-55 per cent. But in producing sales of £6.6m in 1986-87, the group spent £1.2m on shop leases. Administration costs, says Mr Garbacz, were some £3m. The shops themselves are flung right across the UK—scarcely a neat chain to service—and up-market camping customers are presumably picky in their requirements.

Mr Garbacz admits that the admin structure is aimed at a higher sales base, but argues that some £1m could be squeezed out of these costs this year. Quite how is less clear—"more efficient staffing," and savings on the likes of directors cars are his immediate suggestions. At the same time, he maintains that Blacks had "lost credibility" with customers as shops were unable to stock properly. As confidence returns, sales volume is improving—helped by share incentive schemes for management.

"More than the majority are trading profitably—it could be a good steady business if well-managed," is the firm assertion.

Still, sceptical shareholders may find more concrete comfort in the shape of Gerald Ronson, the Heron Group boss, who picked up a 5.3 per cent stake in Blacks this month from Mr Garbacz. "Gerald knows me as a quiet, retiring accountant," says Garbacz, "We met at a cocktail party last week and I said would he like to take an interest?

Even so, it is worth noting that the deal was done at 22p, a 25 per cent discount to the market price. Mr Ronson's stake will also be diluted to just under 5 per cent when the Gee-Rosen offer goes through. Heron says its interest is "medium-term" but it will then have no obligation to make a public announcement if/when it chooses to sell.

All of which leaves Blacks sitting on warranted profits of £550,000 for 1987-88 but with longer term profitability its core business and additional rationalisation charges unknown. Moreover, its market capitalisation—allowing for the rights and Gee/Rosen shares — has risen to £136m with pro forma net assets after the latest cash call totalling just £7.7m. Faith like that will take some living up to.

Sekers edges ahead to £1.8m

Sekers International, maker of furnishing fabrics, pushed up its pre-tax profits slightly from £1.71m to £1.78m on turnover up from £20.57m at £21.7m in the year to March 31 1987.

The directors are recommending a final dividend of 1.75p (1.65p), making a total of 2.65p (2.5p) for the year. Earnings per share moved up to 13.66p (13.23p).

They reported that the past three years had seen the establishment of strong, growing core businesses. The group would now see increased benefits from the investment programmes and business strategies. Trading results in the current year were in line with budget and ahead of last year.

Sekers Silks, which has David Evans and Vanners Silks as its principal divisions, increased sales for the fourth consecutive year—despite the rapid depreciation in the value of the dollar in the last quarter of the year.

Seker's capital investment programme would ensure future growth and maintain the company's commitment to quality of design and product. During the year David Evans began several new projects, including the development of Cavendish Silks and the establishment of a pilot retail outlet. It is intended that further retail outlets would be opened during the current year.

Vanners was again a major contributor to the group's profits and expected further growth.

Sekers Fabrics substantially improved its contributions to group profits and in the current year this would mean the introduction of at least three new ranges, including one of flame retardent fabrics.

A new design studio established in London during the year was responsible for a range of traditional prints.

Capital investment would continue as the company sought to improve its production efficiency. The next two years would see the benefit of the extensive investment in design facilities and plant and machinery.

Anglo Nordic back in profit

ANGLO NORDIC Holdings, the engineering and property concern which is now a 75 per cent subsidiary of F. L. Smidth, the Danish engineering group, turned last year's pre-tax loss of £758,000 into a profit of £312,000 in the year ended March 31.

In power generation activities, the centralisation of generator set manufacturing by Petbow and Auto Diesels Braby subsidiaries helped to give a much improved year, say the directors.

Group turnover was £69.49m (£54.20m). After tax of $30,000 (£104,000) and extraordinary items (net) totalling £23,000 (£411,000), profit for the year was £259,000 (£1.27m loss). The overall surplus was £139,000 (£1.38m deficit). Earnings per share (basic) were 0.5p (4.2p loss per share).

There will be no final dividend payment.

INTERNATIONAL Business Communications (Holdings), publishing group, has acquired two magazines, "British Plastics and Rubber and Making it with Plastics, for £700,000 from MCM Publications, a subsidiary of Catalyst Communications.

Eliza Tinsley profits up 25%

Eliza Tinsley, the USM quoted manufacturer of agricultural machinery, lifted its pre-tax profits by 25 per cent from £651,000 to £817,000 in the year to March 31 last against a 7 per cent improvement to £9.55m in turnover.

The directors said that the improvement in turnover and profit in the last half year hsd continued during the first three months of the current year and they were well ahead of the corresponding period in 1986.

In addition to the organic growth which the company was now achieving or anticipated achieving in the future, it was also looking togrow by acquiring businesses or companies in related spheres.

Part of the growth in profits rose from a reduction of £74,000 in company's contributions to group's pension plans, but after excluding this factor, the directors said, profits advanced by some 25 per cent in the second half as benefits of new products, as well as improved product representation and manufacturing methods, began to flow through.

After tax of £304,000 (£264,000) earnings per 5p ordinary share worked through at 7.26p (5.47p).

The dividend has been increased from 2.89p to 3.2p with a proposed final payment of 2.2p.

JOHNSON GROUP CLEANERS: Company has acquired assets of Pride Cleaners of Kansas City US for $6.5m (£4.03m) of which $3.45m will be paid on completion and the balance in three equal instalments together with interest. The cash consideration payable on completion will be provided from the net proceeds of a 468,000 share placing of Johnson ordinary at 470p per share. Brokers to the placing are Cazenove and Co.

UK COMPANIES

Alfred Preedy makes sharp improvement

THE DECISION by Alfred Preedy & Sons' to focus its resources on retailing is borne out by the sharp recovery in pre-tax profits, up from £383,000 to £853,000, in the year to March 28 1987.

Preedy sold its wholesale division in June 1986 and its confectionery manufacturing business in March this year and the year also saw the final phase of its withdrawal from school contracting—the supply of stationery and artists materials—with the division closing last October.

Mr Stephen Preedy, chairman, said that it was particularly gratifying that the operating profit from continuing activities rose from £862,000 to £1.16m. The increase stemmed from improvements in sales mix and gross margins resulting from the continuous development of product ranges.

Mr Preedy said that the all important Christmas trading period went well, but the difference in timing of Easter between 1986 and 1987 meant that unusually there was no benefit from that particular seasonal trade during the financial year.

The current year had started with the Easter sales period, which was generally satisfactory, and unusually buoyant cigarette sales followed a Budget which imposed no duty increase. In the opening months bank borrowings, while down on the same period last year, were at their usual seasonal peak, because, in line with competitors in that field, the company had stocked up with tobacco products in anticipation of a duty increase.

The absence this year of stock appreciation profits, Mr Preedy said, would adversely affect the performance in the seasonally difficult first six months, but he expected the full year's results to reflect more clearly the impact both of improvements in the underlying trading performance and of the programme of retail development.

The company would continue to seek good existing newsagents' businesses to acquire, either singly or, if the right opportunity arose, by way of a multiple purchase.

Reflecting the sale of the wholesale and other interests turnover last year fell from £113.64m to £76.33m, with £9.75m attributable to discontinued activities. Finance charges were £578,000 (£759,000) and there was a deficit of £18,000 (nil) on exceptional items which arose as the difference between the surplus on sale of freehold properties less termination costs on the closure of retail stores.

The tax charge was down from £263,000 to £254,000 due to advance corporation tax previously written off and now recoverable, leaving earnings per share up from 1.32p to 6.75p.

There were extraordinary items of £119,000 (£328,000) being charged relating to closures.

The dividend is raised from 3.875p to 4.15p with a final of 3.15p per 25p share.

Hugh Mackay buys Pendle for £2.5m

BY CLAY HARRIS

Hugh Mackay, Durham-based carpet group, yesterday added its first manufacturing capacity for tufted products with the purchase of Pendle Carpets for an initial £2.5m in cash and shares.

A specialist in one-off design contracts, Mackay at present produces only woven carpets, although it has commissioned other companies, including Pendle, to manufacture tufted carpets on its behalf since 1983.

The Lancashire group is in the process of moving from its Clitheroe plant to premises four times as large in Blackburn. The new factory will allow Pendle to do its own secondary backing, a function contracted out at present. This is expected to increase margins by about 10 per cent.

Pendle last year achieved pre-tax profits of £300,000 (before exceptional pension contributions) on sales of £5m. Mackay will pay a further £1m if pre-tax profits reach £500,000 this year and £650,000 in 1988.

The three owners who founded Pendle 10 years ago have also been signed to new service contracts.

It will fund the acquisition with the issue of 783,493 new ordinary shares and the payment of £750,000 in cash. More than half of the shares have been conditionally placed at 220p to raise £1m, but there is full clawback available to existing shareholders on the basis of nearly nine new shares for every 100 held.

Mackay shares added 20p to close at 255p.

Moorgate's nav at 663p

Net asset value per 25p share of the Moorgate Investment amounted to 663.3p at the end of the year to May 31, a rise of 46 per cent compared with 453.1 the previous year.

The board proposes to issue warrants to subscribe for ordiwarrants to subscribe for ordinary shares on the basis of three held by shareholders on May 31 1987—equivalent to one warrant for every five ordinary to be held as a result of a proposed two-for-one scrip issue.

Warrants will be exercisable on August 31 in each of the years from 1988 to 1997 inclusive at a price which will be equivalent to the net asset value per ordinary share at May 31 1987 (with appreciation and capitalisation adjustments).

Pre-tax revenue was £1.13m (£998,000) after interest payments of £13,000 (£13,000) and administration expenses of £92,000 (£74,000). Tax amounted to £333,000 (£309,000). Earnings per share were 17.04p against 14.78p the previous year.

There will be a final dividend of 11.5p (9.7p), making 16.5p (14.2p) for the year.

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E
190	133	Ass. Brit. Ind. Ordinary	190	—	7.3	3.8	11.6
174	145	Ass. Brit. Ind. CULS	174	—	10.0	5.7	—
38	34	Armitage and Rhodes	38	—	4.2	11.1	5.3
135	67	BBB Design Group (USM)	105	−30	2.1	2.0	16.7
315	215	Bardon Hill Group	315xd	+5	5.3	1.7	28.9
175	95	Bray Technologies	175	—	4.7	2.7	14.0
212	130	CCL Group Ordinary	212	—	11.5	5.4	5.4
126	99	CCL Group 11pc Conv. Pref.	126	—	15.7	12.5	—
151	136	Carborundum Ordinary	151	—	5.4	3.5	13.1
94	91	Carborundum 7.5pc Pref.	93xd	—	10.7	11.5	—
108	87	George Blair	108	—	3.7	3.4	2.8
143	119	Isis Group	120	—	—	—	—
69	69	Jackson Group	*69	—	3.4	4.9	7.6
430	321	James Burrough	430xd	—	18.2	4.2	9.8
97	86	James Burrough 9pc Pref.	97	—	12.9	13.3	—
780	510	Multihouse NV (AmstSE)	510	—	—	—	20.2
473	351	Record Ridgway Ordinary	473	+8	1.4	—	9.6
86	82	Record Ridgway 10pc Pref.	82xd	—	14.1	17.2	—
91	80	Robert Jenkins	80	—	—	—	3.5
120	42	Scruttons	120	+3	—	—	—
193	141	Torday and Carlisle	193	—	6.6	3.4	9.4
420	321	Trevian Holdings	420	—	7.9	1.9	8.7
108	73	Unilock Holdings (SE)	108xd	—	2.8	2.6	19.9
188	115	Walter Alexander	188	—	5.9	3.1	13.9
196	190	W. S. Yeates	195xd	—	17.4	8.9	19.5
145	96	West Yorks. Ind. Hosp. (USM)	145	−30	5.5	3.8	15.4

* Scrip issue

Granville & Company Limited
8 Lovat Lane, London EC3R 8BP
Telephone 01-621 1212
Member of FIMBRA.

Granville Davies Coleman Limited
27 Lovat Lane, London EC3R 8DT
Telephone 01-621 1212
Member of the Stock Exchange

UNION DE BANQUES ARABES ET FRANCAISES—U.B.A.F.

U.S.$65,000,000 Floating Rate Notes 1980-1990

In accordance with the conditions of the Notes notice is hereby given that for the six-month period 15th July 1987 to 15th January 1988 (184 days) the Notes will carry an interest rate of 7 5/16% p.a.

Relevant interest payments will be as follows:
Notes of $1,000 U.S.$37.38

CREDIT LYONNAIS, Luxembourg
Fiscal Agent

APPOINTMENTS

Reorganisation at Williams Holdings

WILLIAMS HOLDINGS, an industrial conglomerate, has reorganised its management structure in the wake of its £250m acquisition of the Crown Paints, Polycell and other DIY businesses from Reed International, writes Clay Harris.

Mr Brian McGowan becomes group chief executive, a change of title, but not of role, from his present post as managing director. Reporting to Mr McGowan will be the managing directors of two new divisions, Williams Europe (including the UK) and Williams North America.

Heading the first will be Mr Roger Carr, the main board director who has co-ordinated Williams's post-acquisition management in recent years. The North American operation will be led by Mr Howard Dyer, who has represented Williams in the US since last year.

Within Williams Europe, there will be five divisions. Mr John Ford has been appointed managing director for military and industrial products. He has stepped down as a Williams director, in line with the company's practice that operating divisions not be represented on the main board.

Other new managing directors include Mr Mike Davies for consumer and building products, Mr Trevor Finn for vehicles and Mr Chris Davies for special operations, including post-acquisition management. This post will initially be responsible for the fifth division of Williams Europe, paints.

Mr Richard Cowdell has been appointed as a corporate finance director in Williams's head office.

★

ALFRED McALPINE HOMES—one of four divisions of Alfred McAlpine—has appointed Mr Colin Wells as president of Alfred McAlpine Homes Inc in the US, based in Salem, New Hampshire. He worked for Christian Salvesen for 15 years, latterly as managing director of Westbury Homes, Midlands, following the purchase of Salvesen's Northampton-based operation.

★

SIMON ENGINEERING has appointed Mr T. Neville as a non-executive director. He recently retired as finance director of Vickers. He is also a non-executive director of BASF United Kingdom, UMECO Holdings, Fairey Group, Murray Vernon, and of Fastnet Fish.

★

ITALIAN INTERNATIONAL BANK, London, has appointed as a director Mr Peter Ardron who recently retired as vice chairman of Barclays International.

★

McKECHNIE has appointed Mr Philip Hatcher as managing director of the Declon division of McKechnie Consumer Products. He was general manager of the household products division of LRC Products.

★

STATE BANK OF VICTORIA, London, has appointed three senior managers: Mr Andrew R. Baird joins as financial controller, from NMB Bank; Mr John Caird becomes senior manager lending, from Bank of Tokyo International; and Mr Nicholas Tsappis joins as treasury manager, from Arbuthnot Lathum Bank.

★

TASK FORCE GROUP has appointed Mr Robert Sheargold as finance director. He was company secretary.

★

Mr Michael Clark has been elected president of THE ROYAL INSTITUTION OF CHARTERED SURVEYORS for 1987-88.

★

MORGAN STANLEY GROUP INC, has appointed Mr Mario Malt to head its Japanese equity sales operations in the UK and Europe. He has been named an executive director of Morgan Stanley International. He was with Jardine Fleming as a manager and director of its Tokyo office.

★

SEA CONTAINERS has appointed Mr Peter Earl as director of group communications. He was director of corporate public relations with STC.

★

Mr D. J. (Dave) Skelley has been appointed a director of MYTON, part of the Taylor Woodrow Group. He joined the group in 1959.

★

Mr Terence Graham Still has been appointed financial director and Mrs Stella Maree Pollard director and company secretary of both ARCOLECTRIC SWITCHES and Arcolectric Holdings.

★

NATIONWIDE HOUSING TRUST housing arm of Nationwide Building Society, has appointed Mr Cyril English as chairman. Mr English, who succeeds the Trust's former chairman Sir Herbert Ashworth, is a director of Nationwide Building Society where he served as chief general manager from 1981 to 1985.

★

Mr J. R. Wahl has been appointed to the board of JOHNSON GROUP CLEANERS. He is deputy chairman, president and chief operating officer of Johnson Group Inc, the subsidiary company controlling the group's US interests.

★

TRINITY INTERNATIONAL HOLDINGS has made the following promotions which will take effect from September 1: Mr Alan Powell, managing director of Trinity Weekly Newspapers, to managing director of Trinity Paper Mills; Mr Stephen Parker, assistant managing director of The Liverpool Daily Post & Echo, will succeed Mr Powell as managing director of Trinity Weekly Newspapers. Mr John Eccleston, display manager of The Liverpool Daily Post & Echo, to assistant managing director of that company.

★

Mr Paul Diver has been appointed general manager of RHP AEROSPACE. He was works manager. RHP Aerospace is a division of RHP Bearings.

★

Mr Simon de M Wells has been appointed an executive director of EQUIPSHIP.

★

Mr Haydn Griffith has been appointed manager of the personnal and management services department of the CO-OPERATIVE INSURANCE SOCIETY. He was deputy manager.

★

Mr William Dixon, vice-chairman of the North Eastern Co-operative Society, has been appointed chairman of the CO-OPERATIVE UNION in succession to Mr George Bromley, who has retired.

★

KRUPP WIDIA has appointed Mr Terry Reynolds as managing director of its British subsidiary Krupp Widea UK.

★

Mr Martin Holiday has been appointed group company secretary of TERRAPIN INTERNATIONAL, parent company of the Terrapin International Group, Milton Keynes. He takes over from Mr Tony Vick who becomes chairman of Terrapin Hire in addition to his duties as managing director of Terrapin (Overseas) and chairman of the group's Board of management committee. Mr Holiday comes to Terrapin from Lowfield Distribution, a subsidiary of Imperial Foods, where he was company secretary.

★

At OFFICE AND ELECTRONIC MACHINES Mr Allen J. Mills has been appointed chairman in succession to Mr W. F. J. Gardiner, who becomes president.

★

Mr James Sinclair, formerly managing director of Robert Fleming Properties, has been appointed a director of the RUTLAND GROUP.

★

EMESS LIGHTING has appointed Mr Adrian White as a non-executive director. He was a corporate finance partner with Panmure Gordon & Co, stockbrokers. Mr Martin Dunkerton becomes group financial controller.

★

Mr John Fergus, chairman of the Scottish Tanning Industries group, and Mr Bill Marnock, formerly personnel and distribution director of Argyll Foods, have been appointed non-executive directors of Glasgow-based wholesale and distribution group CASTLE.

★

Mr R. A. Levan has been appointed chairman of BRISTOL TOOL & GAUGE CO. Mr A. F. Bartlett becomes executive vice chairman and chairman of the operating subsidiaries. Mr C. S. Levan is made managing director of Bristol Tool & Gauge Engineering, and Mr C. J. Levan becomes managing director of Levan Securities; both join the main board.

★

SINTROM, Reading, has appointed Mr Terry Cave as group chief executive. He joins from his post as managing director of Control Data Limited (UK).

★

Mr Kenneth W. Anderson, managing director, is to head the London office of J. P. MORGAN INVESTMENT MANAGEMENT INC. Mr Anderson has been based in New York since he joined Morgan in 1976.

★

EAGLE STAR has made divisional board appointments in its recently formed general insurance services division (UK and Eire), headed by executive director, Mr Leslie Agius. Mr S. G. Boyle (sales and marketing), Mr J. T. Heaton (underwriting and claims), and Mr J. M. Stratton (management services).

★

CARGO CONTROL EQUIPMENT has made changes to its board. Mr Simon Gurney is appointed financial director. He joins after five years in New York as chief operating and financial officer for a large US computer company. Mr Dave Hickson moves from sales director to managing director, and Mr David Keirle joins as general manager.

★

INDUSTRIAL FINANCE AND INVESTMENT CORPORATION (IFICO) has restructured its board: Mr Christopher Norland becomes executive deputy chairman. Mr Graham Harrison becomes sole managing director and Mr Michael Whiddett finance director.

★

At NOLTON Mr Robert Edmiston has become a non-executive director. He is chairman and managing director of International Motors, the group company combining Subaru (UK), Hyundai (UK) and Isuzu (UK).

★

PRETTY POLLY has appointed Mr John Kirkland managing director. He was appointed group manufacturing director in 1971 to cover all technical and production matters within the group.

★

DERITEND STAMPING has appointed Mr P. W. J. Nicklin a director. He is managing director of the aluminium and vacuum casting companies of the group.

★

Mr Bernard C. Hunt has been appointed engineering director with CROWCON INSTRUMENTS, the Halma safety division subsidiary. Prior to joining Crowcon, Mr Hunt was working as an engineering consultant in Australia and was previously director and general manager at GP-Elliott Electronics Systems (Australia) Pty.

Anglovaal Group

All companies mentioned are incorporated in the Republic of South Africa.

All financial figures for the quarter and progressive figures for the current year to date are unaudited.

Rate of exchange on 30 June 1987: R1,00 = £0,30, £1,00 = R3,31.

Development results given are the actual sampling results. No allowance has been made for adjustments necessary in the valuation of the corresponding ore reserves.

Shareholders requiring copies of these reports regularly each quarter, should write to the Secretaries, Anglo-Transvaal Trustees Limited, 295 Regent Street, London W1R 8ST.

Mining companies' reports – Quarter ended 30 June 1987

Hartebeestfontein Gold Mining Co Ltd

Reg. No. 05/02325/06

Issued capital: 112 000 000 shares of 10 cents each

	Quarter ended 30 June 1987	Quarter ended 31 Mar. 1987	Financial year ended 30 June 1987
Operating results			
Gold			
Ore milled ... t	779 000	792 000	3 162 000
Gold recovered ... kg	7 680	8 023	31 550
Yield ... g/t	9,9	10,1	10,0
Revenue ... R/t milled	291,38	275,86	296,16
Costs ... R/t milled	112,94	111,66	109,10
Profit ... R/t milled	178,44	164,20	187,06
Revenue ... R000	226 991	218 481	936 465
Costs ... R000	87 986	88 433	344 960
Profit ... R000	139 005	130 048	591 505
Uranium oxide			
Pulp treated ... t	779 000	792 000	3 162 000
Oxide produced ... kg	104 733	109 781	452 177
Yield ... kg/t	0,13	0,14	0,14
Financial results	R000	R000	R000
Working profit – gold mining	139 005	130 048	591 505
Profit from sales of uranium oxide, pyrite and sulphuric acid	34	12 339	13 937
Non-mining income	6 522	7 393	28 844
	145 561	149 780	634 286
Interest paid, stores adjustment, and employee service benefits	6 077	629	8 001
Net royalty payments	4 091	5 846	17 511
Profit before taxation and State's share of profit	135 393	143 305	608 774
Taxation and State's share of profit	55 102	80 673	342 286
Profit after taxation and State's share of profit	80 291	62 632	266 488
Capital expenditure	55 813	23 480	107 038
Appropriation for loan repayments	607	125	1 358
Dividends	89 600	—	156 800
	146 020	23 605	265 196
Development			
Advanced ... m	9 286	8 547	34 940
Sampling results on Vaal Reef:			
Sampled ... m	752	596	2 898
Channel width ... cm	66	81	67
Channel value – gold ... g/t	18,7	15,2	18,6
... cm.g/t	1 229	929	1 239
– uranium oxide ... kg/t	0,29	0,34	0,35
... cm.kg/t	18,76	20,80	23,21

Ore reserve
The total ore reserve at 30 June 1987 based on a gold price of R31 000 per kilogram, is estimated as follows:

Tonnage ... t	17 597 000
Stoping width ... cm	116
Value – gold ... g/t	12,2
... cm.g/t	1 414
– uranium oxide ... kg/t	0,23
... cm.kg/t	26,17

Financial
In terms of the Company's articles of association, the directors' borrowing powers are limited to R50 000 000. At 30 June borrowings totalled R8 795 000 (1986: R8 677 000) of which long-term borrowings amounted to R8 195 000 (1986: R6 257 000) and short-term to R600 000 (1986: R2 420 000).

Hedging transactions
The Company has sold portions of its future gold production as detailed below:

Quarter ending	Kg of gold sold	Estimated average realisable value per kg sold
31 December 1987	1 633	R32 239

As no forward exchange contracts have been entered into in respect of the dollar proceeds from the above sales, the estimated realisable value has been calculated at the R/$ exchange rate ruling on 30 June 1987.

Dividend
Final dividend No. 63 of 80 cents per share was declared in June 1987, making a total of 140 cents per share for the financial year.

Capital expenditure
Outstanding commitments at 30 June 1987 are estimated at R18 700 000 (31 March 1987: R28 500 000).

For and on behalf of the board
B.E. Hersov *Directors*
D.J. Crowe

Directors: B.E. Hersov D.M.S. (Chairman), B.L. Bernstein Hon. LL.D., D.J. Crowe*, W.B. Evans, E.P. Gush, G.S. Lea, W.W. Malan, Clive S. Menell, T.L. Pretorius
Alternate directors: J.H.J. Burke, P.J. Eustace, F.S. Clarke, M.D. Henson, K.M. Hosking, J.E. van Niekerk, R.A.D. Wilson
*British

15 July 1987

Eastern Transvaal Consolidated Mines, Ltd

Reg. No. 01/00442/06

Issued capital: 4 316 679 shares of 50 cents each

	Quarter ended 30 June 1987	Quarter ended 31 Mar. 1987	Financial year ended 30 June 1987
Operating results			
Ore milled ... t	85 000	89 300	358 600
Gold recovered ... kg	850	897	3 511
Yield ... g/t	10,0	10,0	9,8
Revenue ... R/t milled	302,53	274,24	286,24
Costs ... R/t milled	116,74	103,37	104,79
Profit ... R/t milled	185,79	170,87	181,45
Revenue ... R000	25 715	24 490	102 647
Costs ... R000	9 923	9 231	37 577
Profit ... R000	15 792	15 259	65 070
Financial results	R000	R000	R000
Working profit – gold mining	15 792	15 259	65 070
Non-mining income	881	887	3 217
	16 673	16 146	68 287
Prospecting expenditure	1 337	1 376	4 933
Stores realisation adjustment	232	—	232
Profit before taxation	15 104	14 770	63 122
Taxation	(1 578)	5 480	12 927
Profit after taxation	16 682	9 290	50 195

Eastern Transvaal Consolidated Mines, Ltd (continued)

	Quarter ended 30 June 1987	Quarter ended 31 Mar. 1987	Financial year ended 30 June 1987
Capital expenditure	14 995	5 698	37 916
Dividends	6 691	—	12 087
	21 686	5 698	50 003
Development			
Advanced ... m	1 767	2 501	8 714
Sampling results:			
Sampled ... m	936	1 179	3 927
Channel width ... cm	186	161	165
Channel value ... g/t	11,4	10,2	8,1
... cm.g/t	2 123	1 649	1 326

Ore reserve
The total ore reserves at all mines at 30 June 1987, based on a gold price of R31 000 per kilogram, are estimated as follows:

Tonnage ... t	1 634 950
Stoping width ... cm	176
Value ... g/t	12,8
... cm.g/t	2 264

Hedging transactions
The Company has sold portions of its future gold production as detailed below:

Quarter ending	Kg of gold sold	Estimated average realisable value per kg sold
31 December 1987	179	R32 243

As no forward exchange contracts have been entered into in respect of the dollar proceeds from the above sales, the estimated realisable value has been calculated at the R/$ exchange rate ruling on 30 June 1987.

Dividend
Final dividend No. 74 of 155 cents per share was declared in June 1987, making a total of 280 cents per share for the financial year.

Capital expenditure
Outstanding commitments at 30 June 1987 are estimated at R12 348 000 (31 March 1987: R21 112 000).

For and on behalf of the board
R.A.D. Wilson *Directors*
D.J. Crowe

Directors: R.A.D. Wilson (Chairman), D.J. Crowe*, M.D. Henson, B.E. Hersov D.M.S., W.W. Malan, Clive S. Menell, J.E. van Niekerk
*British

15 July 1987

Prieska Copper Mines (Pty) Ltd

Reg. No. 05/02033/07

Issued capital: 54 000 000 shares of 50 cents each

	Quarter ended 30 June 1987	Quarter ended 31 Mar. 1987	Financial year ended 30 June 1987
Operating results			
Ore milled ... t	650 000	687 000	2 789 000
Concentrates produced			
Copper ... t	15 627	18 984	72 329
Zinc ... t	24 868	25 083	119 312
Concentrates despatched			
Copper ... t	18 869	29 196	75 799
Zinc ... t	23 185	27 714	130 531
Financial results	R000	R000	R000
Operating profit	1 887	12 568	40 587
Non-mining income	1 068	819	3 468
	2 955	13 387	44 055
Stores realisation adjustment	136	—	136
Profit before taxation	2 819	13 387	43 919
Taxation	1 478	7 962	25 432
Profit after taxation	1 341	5 425	18 487
Capital expenditure/(recoupments)	(39)	(200)	(289)
Dividend	16 200	—	32 400
	16 161	(200)	32 111
Development			
Advanced ... m	908	994	3 856

Financial
Despatches, which vary from quarter to quarter, are brought to account at their estimated receivable value. Operating profit takes into account adjustments following final price determinations on despatches made during previous quarters.

Dividend
Final dividend No. 8 of 30 cents per share in respect of the year ended 30 June 1987, was declared on 9 July 1987 and is payable on 28 July 1987, making a total of 60 cents for the financial year.

Capital expenditure
There were no outstanding commitments at 30 June 1987 (31 March 1987: nil).

For and on behalf of the board
D.J. Crowe *Directors*
R.A.D. Wilson

Directors: D.J. Crowe** (Chairman), R.P. Fitton*, B.E. Hersov D.M.S., R.L. L'Esperance*, Clive S. Menell, E.R.I. Neunuebel*, D.M. Pogson*, R.A.D. Wilson
Alternate directors: D.A. Blaine, A.J. Brink, M.D. Henson, W.W. Malan
*American **British

15 July 1987

Consolidated Murchison Ltd

Reg. No. 05/05478/06

Issued capital: 6 240 000 shares of 10 cents each

	Quarter ended 30 June 1987	Quarter ended 31 Mar. 1987	Financial year ended 30 June 1987
Financial results	R000	R000	R000
Sales of antimony concentrates less realisation charges	5 221	5 611	23 680
Gold sales	5 871	5 411	23 128
Sundry mining income	30	23	118
	11 122	11 045	46 926
Working costs	9 066	8 644	35 026
Working profit	2 056	2 401	11 900
Non-mining income net	111	177	2 713
	2 167	2 578	14 613
Prospecting expenditure	370	192	1 040
Profit before taxation	1 797	2 386	13 573
Taxation	(689)	3	280
Profit after taxation	2 486	2 383	13 293
Capital expenditure	4 583	2 316	9 752
Dividends	1 248	—	2 496
	5 831	2 316	12 248

Consolidated Murchison Ltd (continued)

Financial
The revenue from the sale of antimony concentrates brought to account each quarter is based on actual shipments made, which can vary considerably from quarter to quarter.

Dividend
Final dividend No. 79 of 30 cents per share was declared in June 1987, payable in August, making a total of 60 cents per share for the financial year ended 30 June 1987. The 2 080 000 shares issued in terms of the recent rights offer to shareholders of one "S" ordinary share for every two ordinary shares did not qualify for the final dividend.

Capital expenditure
Outstanding commitments at 30 June 1987 are estimated at R311 000 (31 March 1987: R2 191 000).

For and on behalf of the board
P.F. Retief *Directors*
R.A.D. Wilson

Directors: P.F. Retief (Chairman), R.A.D. Wilson (Deputy Chairman), B.E. Davison (Managing Director), W.D. Clough, V.G. Bray, P.J. Cronshaw*, D.J. Crowe*, B.E. Hersov D.M.S., Clive S. Menell
Alternate: P.W.J. Coenent
* British † Dutch

15 July 1987

Loraine Gold Mines, Ltd

Reg. No. 05/39133/06

Issued capital: 16 366 986 shares of R1,00 each

	Quarter ended 30 June 1987	Quarter ended 31 Mar. 1987	Nine months ended 30 June 1987
Operating results			
Ore milled ... t	392 000	380 000	1 149 000
Gold recovered ... kg	2 084	2 102	6 292
Yield ... g/t	5,3	5,5	5,5
Revenue ... R/t milled	150,81	153,08	162,69
Costs ... R/t milled	124,06	115,98	119,08
Profit ... R/t milled	26,75	37,10	43,61
Revenue ... R000	59 118	58 170	186 928
Costs ... R000	48 630	44 071	136 825
Profit ... R000	10 488	14 099	50 103
Financial results	R000	R000	R000
Working profit – gold mining	10 488	14 099	50 103
Profit from sales of uranium oxide, pyrite and treatment of stockpiled calcines	214	218	918
Non-mining income	2 318	2 225	7 170
	13 020	16 542	58 191
Interest paid	212	225	677
Tributing royalty payable	4	2	6
Profit before taxation and State's share of profit	12 804	16 315	57 508
Taxation and State's share of profit	284	6 307	19 661
Profit after taxation and State's share of profit	12 520	10 008	37 847
Capital expenditure	7 399	3 666	14 265
Appropriation for loan repayments and adjustments for currency fluctuations	34	46	112
	7 433	3 712	14 377
Development			
Advanced ... m	9 336	8 689	27 414
Sampling results:			
Kimberley reefs			
Sampled ... m	286	146	492
Channel width ... cm	108	87	98
Channel value ... g/t	9,7	13,0	12,9
... cm.g/t	1 053	1 128	1 266
Basal reef			
Sampled ... m	582	416	1 580
Channel width ... cm	8	8	8
Channel value ... g/t	87,9	97,1	79,8
... cm.g/t	747	806	670
Eldorado reefs			
Sampled ... m	716	846	2 608
Channel width ... cm	110	105	105
Channel value ... g/t	7,5	11,5	9,5
... cm.g/t	827	1 203	1 000
Total – all reefs			
Sampled ... m	1 584	1 408	4 680
Channel width ... cm	73	75	72
Channel value ... g/t	11,8	14,5	12,8
... cm.g/t	838	1 078	916

Financial
In terms of the Company's articles of association, the directors' borrowing powers are limited to R35 000 000. At 30 June borrowings totalled R5 911 000 (1986: R6 478 000) of which long-term borrowings amounted to R5 726 000 (1986: R5 837 000) and short-term to R185 000 (1986: R641 000).

Hedging transactions
The Company has sold portions of its future gold production as detailed below:

Quarter ending	Kg of gold sold	Estimated average realisable value per kg sold
31 December 1987	482	R32 239

As no forward exchange contracts have been entered into in respect of the dollar proceeds from the above sales, the estimated realisable value has been calculated at the R/$ exchange rate ruling on 30 June 1987.

Capital expenditure
Outstanding commitments at 30 June 1987 are estimated at R7 197 000 (31 March 1987: R4 150 000).

For and on behalf of the board
D.J. Crowe *Directors*
R.A.D Wilson

Directors: D.J. Crowe* (Chairman), W.B. Evans, B.E. Hersov D.M.S., L. Hewitt, K.M. Hosking, G.C. Krafft, W.W. Malan, Clive S. Menell, S.W. van der Colf, R.A.D. Wilson
Alternate directors: J.H.J. Burke, F.S. Clarke, P.J. Eustace, B.J. Funston, J.J. Geldenhuys, K.A. West*, J.E. van Niekerk
*British

15 July 1987

A Moses to lead Midland out of the wilderness

Alan Cane explains how Gene Lockhart plans to put the bank on a firmer technological footing

Gene Lockhart: "We aim to capture a part of those personal liquid assets that others are only talking about"

THE FUTURE of Midland Bank, the smallest of the UK's Big Four clearers after last week's rationalisation, will depend as much on its technology capabilities as its banking strategy.

That side of the business is now in the hands of a 37-year-old US citizen, H.E. "Gene" Lockhart, who was called in at the turn of the year at the express wish of Sir Kit McMahon, the bank's chairman, to put Midland on a firmer technological footing.

Last week he was wryly amused rather than dismayed when a confidential report revealing the parlous condition of the dealing and settlement systems in the company's investment banking arm, Midland Montagu, was leaked to the press.

Completed in March, the report analysed the state of the systems in the bank at the beginning of the year, concluding that only three out of 14 were up to scratch.

Commissioning that report had been his first action after taking over, and Lockhart says he almost laughed out loud at the press stories, pointing out that seven months on there has been substantial progress.

He is quietly polite about the condition of Midland's technology at the time of his arrival: "There were a number of areas that required close attention" he says dryly.

An understatement, according to others. "He is tearing' the place apart" one says, going on to point out that for the first time at Midland there is a senior manager in charge of systems who is perfectly capable of arguing the technological options with his systems people while holding his own with the bank's top strategic planners.

Midland's technological problems are serious but hardly unique among London's financial institutions.

They are all faced with the problems of bringing accounting ("back office") systems installed in the 1970s up to date to deal with new patterns of business created by increased competition and deregulation.

Virtually all of those involved in investment banking concentrated during the run up to the "Big Bang" in the City last October on their front office dealing systems at the expense of the back office.

In fact, given that Midland was until last week only the UK's third largest clearer and that it has been beset with the financial tribulations of the Crocker Bank acquisition and its Third World lending programme, its record in financial technology is honourable to say the least.

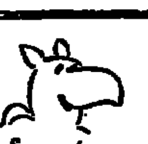
Among its achievements:

- It was the first UK clearer to offer, in June 1982, electronic corporate cash management services based on a system provided by the US services company ADP.
- It was the first UK clearer to offer, in October 1982, a prototype home banking system, based on viewdata technology.
- Earlier this year it became the first UK clearer to experiment publicly with the "smart" card, the bank card with a built-in computer. Its trial in Loughborough uses an innovative card devised by GEC of the UK.
- Its "Telepath" product, which gives Midland customers an electronic window on the banking world, is reckoned to set new standards for this type of facility.

So there has been no shortage of innovation or quality technologists. What Lockhart found on his arrival was a shortage of strategic planning and integration. He says now with a slight air of disbelief: "There were seven different systems operating in the investment bank . . . we had eight different and incompatible payments systems through the bank."

So the first task was a comprehensive review of the bank's entire electronic strategy. He established review teams in each of the four main sectors, retail banking (involving principally the UK), global banking (the international sector), investment banking and the group as a whole.

Each of the teams reported to Lockhart through his position as chief executive of information technology and chairman of the Group Information Technology Board — he insisted on meeting each of the team leaders weekly on an individual basis, and says without false modesty that the final set of strategic plans to be put forward in September will contain more than a little of his systems thinking.



For the first time the bank has a senior manager in charge of systems who can also hold his own among Midland's top corporate strategists

Before his arrival the bank had no integrated information technology budget. He acted quickly: "The message I was anxious to get across was that we have scarce resources and we do not want to waste them," he says. The bank's present recurrent IT budget is some £300m a year, and he has no intention of increasing it by much.

Costs were cut by removing some 60 contract staff, software and hardware specialists hired from outside agencies: "People can always do more; it is a question of management," he says. "If they do not agree with that, they are not the people I want."

The changes he is looking for in the three banking areas on which today's leaner, fitter Midland intends to concentrate include:

- Improved electronic delivery of cash, which means a better service through the bank's automated teller machines (ATMs), cash dispensers and electronic shopping systems ("Including a debit card if we launch one," he says).

At present Midland uses a technology for these systems which is tortuous, prone to failure and out of step with its reciprocity partner, National Westminster.

After the change, the customer at the ATM or point of sale may notice only faster transactions and fewer machine failures, but each transaction should cost the bank at least 30 per cent less.

- Improved management information and support for branch and area offices is a key objective. This is one of the great issues for banks today; historically their files have been created on an account, rather than a customer, basis. Consequently it is very difficult to draw together all the information the bank holds about any customer as a basis for marketing or cross-selling of products.

Lockhart says his team has already restructured the files for Midland's 8,000 or so corporate accounts and that studies are already under way with a view to extending the project to the rest of its retail customers.

The information is held on the bank's IBM mainframe computers and distributed to lending officers in the branches through a network of Digital Equipment minicomputers.

With Midland's new goal of concentrating its efforts on its traditional English heartland, such a facility should prove invaluable.

When intergration on the files has been extended to traditional customer accounts, Lockhart expects to be able to provide better personal banking services — a faster, smoother mortgage operation, for example, and better insurance services to be marketed through the branches: "We aim to capture a part of those personal liquid assets that others are only talking about" he claims.

- The creation of a single, unified payments systems throughout the group. This will include a multi-currency facility to support the bank's international operations. It should allow same-day payments divided by 30 minute slots — a customer could do better financially by making a payment at 11 am than at 3 pm.
- New back office systems for the Treasury and for the investment bank where some 3,000 transactions a day are processed. Midland Montagu's new back office could be complete by the end of this year. Next year, the technologists will undertake the tricky but vital job of integrating front and back office functions.

Lockhart insists on treating the information technology function like a business, a separate profit centre with the goal of providing effective services to the bank's customers.

Midland is rationalising its plethora of data centres, concentrating on three main installations in South Yorkshire, Liverpool and London, and maintaining a number of the others as local centres.

Earlier this year, it established a new company, Midland Technology Services, to exploit its "Midnet" national telecommunications network selling value added services to its corporate clients.

Trained as a mechanical engineer, Lockhart's qualifications for his ambitious programme at Midland include spells as a management consultant with Arthur Andersen & Co., Nolan Norton and First Manhattan Consulting. For three years he was group director, management services at the leading insurance broker C. T. Bowring in London.

He is now the most powerful of the UK's electronic bankers with a seat on the Midland Board and on its group executive committee.

His ambitions for the bank fall naturally into both technological and business areas. On the technological side, he wants to see the bank's business firmly based on electronic systems. And that business, he believes, should bring a return on equity in the 20-25 per cent region—comparable with leading US banks—rather than Midland's existing 11 per cent.

Telltale sign of container thefts

CUSTOMS AUTHORITIES throughout the world are faced with the problem of knowing whether the door of a container or lorry has been opened during transit. The aim is to prevent pilfering by collusion, which costs $50bn a year, according to a new UK company, Encrypta Electronics of Caerleon, Gwent.

Normally, pre-printed disposable metal seals are used but these can be forged, making tampering difficult to detect. So the company has devised Crypta 2, a length of plastic-coated stranded steel wire which is looped through the door latch. The free end of the wire has a pencil-thick steel terminating cylinder which fits snugly into a shaped slot in an electronics box mounted on the door.

The slot is covered by a cam-shaped plate that must be rotated to expose and release the cylinder, in order to free the wire and open the door. But each time the cylinder is released, the electronics unit generates a new random number which can be seen on a small screen by pressing a button.

The £195 device is not intended to prevent entry, merely to indicate that this has taken place. The company claims it is virtually impossible to tamper with the wire without this becoming apparent. The plastic coating reveals any attempt to cut and rejoin it, and in any case the stranded steel frays badly if severed. An inspecting officer can detect tampering attempts with a few seconds examination, and can check the displayed number is what it should be. Marks and Spencer in the UK has already equipped its fleet of 1,300 vehicles with Crypta 2.

Valid launches patent battle

VALID LOGIC, the Californian computer-aided design (CAD) company specialising in circuit design, has filed a patent infringement law suit against six companies in the CAD industry. The companies comprise most of Valid's competition: Daisy Systems, Mentor Graphics, GenRad, HHB Systems, Teradyne and Cadetix. Valid charges that they have infringed US patent 4,590,581: Method and Apparatus for Modelling Systems and Complex Circuits.

Degrees to which tools last longer

THE USEFULNESS of very low temperature (cryogenic) processing in prolonging manufacturing tool life is to be evaluated by Battelle, the US research group, in a multi-client study.

The technique involves exposing tools to a temperature of about −320 deg F before putting them into service. In some cases this has prolonged the life by a factor of two or more—and occasionally by five to 10 times—although the reasons are not well understood.

According to Charles Marschall of Battelle, cost savings can be significant. A major US aerospace company for example, saved $350,000 for one type of drill used on titanium alloys. Its normal expenditure on drill bits was $1m. Participation in the two-year programme costs $20,000.

WORTH WATCHING

Edited by Geoffrey Charlish

CONTACTS:

Encrypta Electronics: UK, 0633 423511. Valid: UK office, 0753 820101. Battelle: US, (614) 424 7984 and in London on 486 0814.

EQUITIES

ANALYSIS & SALES

Our clients require experienced
- Equity Salespeople
- Investment Analysts
- Support Staff

Telephone
DR. ELSPETH DAVIDSON
01-439 1701

SCOTLAND

Our Clients need:
* Investment Managers
* Stockbrokers
* Corporate Bankers
* Private Client Managers
* Support Staff

Telephone Ian Wittet MA CA on 031 226 6222 for a confidential discussion

ASA INTERNATIONAL
63 George Street, Edinburgh 2

UNIVERSITY OF CAMBRIDGE

DIRECTOR IN INDUSTRIAL CO-OPERATION

Applications invited for this office tenable from 1 October 1987. The Director is Head of the Wolfson Cambridge Industrial Unit, which promotes co-operation between the University and industry. Experience both of industry and of university work would be advantageous, with a broad range of scientific interests and familiarity with current legislation affecting patenting, copyright, and intellectual property.
Pensionable stipend £25,620.
Applications (9 copies) with names of three referees to the Secretary General of the Faculties (from whom further information available), General Board Office, The Old Schools, Cambridge, CB2 1TT.
Closing date: 14 August 1987.

RECRUITMENT CAREER

You are an experienced recruiter with an in-depth knowledge of City banking and, ideally, the Capital Markets in particular. This is coupled with the ability to lead our successful team as the Manager, plus a desire for your hard work and expertise to gain you job satisfaction, an attractive salary package and career progression.

Call Lyn Cecil
Group M.D., on 01-439 7001

LJC BANKING

146 Bishopsgate, London EC2M 4JX: 01-377 5040

PUBLIC RELATIONS FINANCIAL AND CORPORATE

The TPS Group, firmly established and expanding in the travel, leisure, entertainment and general consumer PR sectors, now plans to offer existing and new clients a financial PR service.
We would like to meet entrepreneurial financial PR professionals with a track record or small City PR operations wishing to expand.

Write or telephone in confidence to:
Arthur Whieldon, TPS Group Ltd
3 Grosvenor Gardens, London SW1W 0BD
Telephone: 01-630 9141

LEADING US FINANCIAL SERVICES INSTITUTION

A prestigious Wall Street Firm, actively trading worldwide, is seeking to develop, from a London base its Foreign Exchange business in the Middle East and Asia by the addition of a young, aggressive Corporate/Institutional Dealer.

The successful applicant will have a strong academic record, consisting of at least one excellent Economics Degree, and will probably have also studied International Finance at post-graduate level. Banking experience, with an emphasis on Foreign Exchange, Treasury and/or Financial Futures, is essential, and experience working for the Treasury Department of a major Corporation is desirable. In particular we are interested in candidates with an in-depth understanding of the financial systems and economies of the region to be covered. This will almost certainly have been acquired by studying or working in the Middle East or Asia. A second language appropriate to the region would be an advantage.

Good remuneration/benefits package.

Applicants possessing the above qualifications and experience should write to:- T. G. West, Managing Director (Ref. 7391), Associates in Advertising, Columbia House, 69 Aldwych, London WC2B 4DX.

associates IN ADVERTISING

Business Development Managers

Factoring and Financial Services
London

Griffin Factors Limited – a Midland Bank company operating within Forward Trust Group is well established as one of the leading factoring companies in the U.K. with an enviable growth record in both volume and profit terms. Vacancies exist for sales orientated new business negotiators to meet rapid growth forecasts.

Business Development Managers play a key role in expanding and developing the business base. These challenging positions demand a high level of self-reliance and initiative in identifying new potential clients. Managers are responsible for promoting and selling the Company's range of financial services for both domestic and international products.

The prime objective of this role is:-
* The generation of new Factoring and Invoice Discounting business through established and other sources of introduction.
* The negotiation of agreements at Board level from initial contact through to a successful conclusion.

To apply for these positions, which offer considerable scope for future career development, you should be aged not less than 30 years and have a proven track record in your career to date; be an experienced negotiator in a finance related or other commercial discipline. Factoring experience is not essential as full product and financial training is available for the right candidates.

The Company offers an excellent salary together with a range of benefits (including Company car) normally expected from a member of a major banking group.

Applications are open to people regardless of sex or ethnic origin.

Interested candidates are invited to write with details of careers to date to Mrs. Jean Marshall, Manager, Personnel, Griffin Factors Limited, 21 Farncombe Road, Worthing, West Sussex BN11 2BW.

GRIFFIN FACTORS LIMITED
A member of Midland Bank Group

International Appointments

General Management – NIGERIA

Our Client is one of Nigeria's largest conglomerates with a diverse range of activities.

GROUP OPERATIONS CO-ORDINATOR
Reports directly to the Chairman and co-ordinates all operational activities. Degree in Economics or Engineering or equivalent. 10 years + as senior executive in manufacturing or related service organisation. Salary £60 to 65K with attractive tax advantages. Ref: S.1006.

GENERAL MANAGER – SOFT DRINKS
Newly equipped factory producing 250K hecto litres. Degree or equivalent professional qualification. 7-10 years experience in a large food/soft drinks company with marketing/distribution background. Salary around £50K with attractive tax advantages. Ref: S.1007.

GENERAL MANAGER – BISCUITS
Total output of company 10K tons per year. Degree or equivalent professional qualification. 7-10 years experience in large food related company with technical background on bakery or biscuits manufacture. Also marketing and admin. skills. Salary around £50K with attractive tax advantages. Ref: S.1008.

GROUP INVESTMENTS CO-ORDINATOR
Reporting to Group M.D. Degree or equivalent professional qualification. 5-10 years experience in manufacturing industry, and commercial or service careers. Working experience in reading, understanding and interpretation of financial and budgetary statements. Salary around £55K with attractive tax advantages. Ref: S.1009.

Furnished housing, car, attractive benefits and 3 year contracts will be provided for all positions.
Please send full C.V., quoting appropriate reference number to:
Miss V Kerr, BKI Management Consultants Ltd., 45 Nottingham Place, London W1M 3FE. Telephone: 01-486 4331

BKI
SEARCH AND SELECTION

EUROPE · MIDDLE EAST · AFRICA · FAR EAST

There are people abroad who want to make their tax-free assets your business

The fact is that an ever increasing number of British and other expatriates are working for substantial incomes in favourable tax environments throughout the world.

And they are always open to suggestions as to how they might profitably invest and maximise their assets in the long-term.

In this rapidly growing market for high-value financial consultancy, Finexco have risen to a leading position in the world within five years. This is quite simply because we offer our clients unrivalled expertise, professionalism…and results.

We pick our International Consultants very carefully, always looking for people with a blend of self-confidence, maturity and integrity, a streak of independence, an agile intellect and a track record of business achievement that commands the utmost respect. A liking for travel is essential, a second language marginally less so. Given these qualities, our specialist training will prepare you for business in this field, where high rewards go with high performance even if your professional experience has been in an area outside international finance.

Your working location would be where the market is in Europe, the Middle East, Africa or the Far East. If you feel we might be describing *you*, then please write, enclosing a full CV, to
Hilary Gane, (Ref: 417FT),
WBH Recruitment Ltd.,
63-66 St. Martin's Lane,
London WC2N 4JX.

FINEXCO

SSM Coal B.V. is one of the world's leading companies in the international coal and petcoke trade.

A CHALLENGE FOR PEOPLE OF ENTERPRISE

People with commercial experience in trading, brokering, shipping or forwarding who are looking for a challenge can apply for a commercial or logistic starting position in the international coal and petcoke trade.

Applicants should have a good level of education, be fluent in the English language and have a good understanding of German, French and/or Spanish.

Our training on the job requires an analytical and inquisitive mind and the ability to work both independently and as part of a team and the ability to keep things simple. As we are an international company, applicants have to be mobile and flexible.

SSM Coal B.V. offers a challenging job with attractive profit-sharing arrangements.

Applications can be forwarded to: SSM Coal B.V., Rochussenstraat 125, P.O. Box 1006, 3000 BA ROTTERDAM, The Netherlands, to the attention of the Personnel Dept.

SSM

Appointments Advertising

£43 per single column centimetre
Premium positions will be charged £52 per single column centimetre
For further information, call:
01-248 8000
Daniel Berry
Ext 3456
Tessa Taylor
Ext 3351

KW

Kirkland-Whittaker Group Ltd.
Australia

The Sydney Office of this international money broking group requires highly motivated individuals experienced in deposits; FRA's or interest rate swaps to play a key role in the group's expansion in Australia.

Remuneration package negotiable.

Apply in writing with full CV to:
Mrs Janet White
Kirkland-Whittaker Group Ltd
67 Chiswell Street
London EC1Y 4XX

Martin Bierbaum Australia Limited

(A member of the Martin Bierbaum Group)

AUSTRALIA
POSITIONS AVAILABLE

FORWARD FX BROKERS
We have vacancies for two experienced brokers on our new forward desk in Sydney, Australia. Successful aplicants will be able to operate in all forward markets with the major emphasis being $ Australian.

SPOT FX BROKERS
We require a spot broker with two to three years' experience for a challenging position on our spot currencies desk, also in Sydney, Australia.

REMUNERATION
In all cases will be negotiable dependent upon experience and ability.

All replies will be treated in the strictest confidence and interested parties should telephone:

MR. RICHARD DESLANDES
Tel: 01-600 8691
R. P. MARTIN p.l.c.
4 Deans Court, London EC4V 5AA

WANTED

RIYAD BANK

SOFTWARE SYSTEMS DEVELOPMENT MANAGER

Riyad Bank is one of the largest Middle East financial institutions with a relatively large branch network. The Bank has embarked on one of the most sophisticated banking automation programs ever undertaken anywhere in the world. This program pushes technology to its limits in terms of using micro-processor-based universal-worksation (UWS), local area networks (LAN), fourth generation (4-G) language and latest top-off the line main-frame technology.

This exciting challanges are being faced with a multi-national top-notch work team of experts. The mandate of this team is to build a 1990's system using leading-edge technology.

The Bank is looking for a Software Systems Development Manager with exceptional skill set of leadership, dedication and technical capabilities. This exceptional individual will be leading an outstanding multi-national team of Software Project Managers, Specialists, Senior Programmers and Programmer Analysts with proven accomplishments to the Bank.

Riyad Bank DP environment is an SNA environment with a host MVS/XAO/S and relational data-base; with late 1980's distributed processing and data-base network at the micro-processor level.

This Development Manager will be responsible for

Development of Banking Software Systems using high-level languages and 4-G languages.

Selection of standard Banking Software Systems and managing the development of the interfaces to Riyad Bank Program Software.

Training the Saudi members in his team. Developing detailed operational development methodologies and Software maintenance procedures and regulations.

Pre-requisites of this position are:

University Degree in related fields.
Strong personality, leadership and dedication.
Extensive SNA exposure
MVS/XA, CICS and VTAM experience
Minimum of 20 - 18 years experience in IBM 370 architecture and Software Development.
Minimum of 5 years banking Software experience
Minimum of 10 years of management supervisiory experience.

MAIN-FRAME OPERATIONAL PERSONNEL

OPERATIONAL ROOM SHIFT SUPERVISOR (Two Positions)

The Operations Supervisor to handle the day to day running of Computer room reporting to the Operations Manager. The Operations Supervisor should have minimum of 4 years computer operations experience in MVS/XA environment and be over 25. Ability to supervise operational team effectively, readiness to work unsocial hours when required and withstand the pressures of a large operational environment are essential qualities.

An attractive starting salary dependent upon qualifications and related experience is offered.

OPERATIONAL ROOM MAIN-FRAME OPERATOR (Two Positions)

Online systems experience essential with minimum of 18 months operating MVS/XA. Six-day four shifts working week.

In addition to undertaking standard operational duties, the operator will be responsible for the supervision of junior operators.

Saudi Arabia is the fastest growing nation anywhere in the world. You will enjoy a tax-free generous package. You will be living in one of the most modern and recently built cities of the world. Contract term is two years, renewable upon demonstrated contribution and achievements.

Please send your application to the following address :-

Riyad Bank
London Branch
Temple Court
11 Queen Victoria Street
London EC4N 4XP
England.

not later than July 25th. 1987.

INVESTMENT ANALYST
LONDON

Overseas Corporate Funds Limited is an Australian-based investment company operating predominantly in the North American and UK markets.

It has a small staff located in New York, London and Sydney.

The Group is seeking a qualified Investment Analyst to be based in London, reporting directly to the Chief Executive.

The successful applicant must have a working knowledge of the UK equities and investment markets, and must be a self-starter to benefit from working in a challenging corporate investment environment.

Attractive remuneration and profit participation will be offered.

Replies in writing to:
The Chief Executive
Overseas Corporate Funds Limited
Apartment 36A, 641 5th Avenue, New York, NY 10022

INTERNATIONAL APPOINTMENTS APPEAR EVERY WEDNESDAY & THURSDAY

Investment Analyst

A prestigious, 50-year-old U.S. investment management company with US $42 billion under management for mutual funds and institutional clients seeks an investment analyst for its London office to specialize in smaller capitalization stocks in the U.K. and Europe.

Putnam International Advisors manages $1.5 billion in international stockmarkets and is expanding rapidly. This analyst will be a key member of a small, closely-knit team, whose recommendations will substantially impact global investment decisions for Putnam.

The successful candidate will have three to five years in a fund management or stockbroking organization and must be a University graduate. Language skills are an asset but not essential. The compensation and benefits package is highly competitive. This is an excellent opportunity for upward progress in a dynamic, forward-moving company.

Send resume in confidence to:
John Storkerson, Senior Vice President
Putnam International Advisors, LTD.
Pollen House
10-12 Cork Street
London W1X 1PD

Putnam
Boston London Tokyo

COMMODITIES AND AGRICULTURE

Ministry to study farm alternatives

By Bridget Bloom

BRITAIN'S Ministry of Agriculture is to review the possibility of developing novel crops and livestock enterprises as an alternative to commodities now in surplus.

A reviewy team headed by Dr David Shannon, the Ministry's chief scientist for Agriculture and Horticulture, advised by experts from the country's agricultural research stations, is to report to Mr John MacGregor the agriculture minister, by the end of the year.

The team is to examine a wide range of enterprises including crops like linseed, flax, lupins and navy beans. It will also study goats for milk, meat and fibre, sheep and such animals as alpaca and llama for fine fibres and deer farming.

The study is seen as an integral part of the ministry's attempt to find alternative uses for land now contributing to the European Community's huge farm surpluses. Other measures now being encouraged include farm tourism, the creation of more farm woodlands and less intensive farming in areas of special environmental interests.

According to the Ministry of Agriculture the background to the review is a detailed study completed last year by the University of Reading's centre for agricultural strategy which concluded that, while the opportunities for diversification into novel enterprises certainly provided opportunities for some farmers, they were unlikely to provide any sort of panacea to the surplus problem—a view shared by Mr MacGregor.

● Britain's agricultural, chemical and food companies are being asked to help double the current budget of the Farming and Wildlife Trust, a charitable body which aims to bring farmers and conservationists together to integrate the needs of commercial farming with those of wildlife and landscape conservation.

The conservation ativities of the trust's farming and wildlife advisory groups have greatly expanded over the last three years. Mr Dudley Reeves, trust chairman, said yesterday the trust now employed 40 full-time advisers throughout the UK compared to only three in the early 1980s. They made visits to nearly 3,500 farms last year to advise on conservation measures.

The trust co-operates closely with the Agriculture Ministry but relies heavily on voluntary contributions for its current budget of £500,000.

Welsh boundary changes proposed

TWENTY-ONE of the 38 Welsh constituencies are affected by changes proposed by the Boundary Commission for Wales.

Most changes are marginal. However, two Labour seats, Gower and Swansea West, would lose 2,644 electors and 1,493 electors respectively

Brazil to hammer out policy for coffee exports

BY RIK TURNER IN SAO PAULO

IN THE FACE of a 1978-88 coffee crop of 35.2m bags, the second largest in Brazil's history, Mr Jorio Dauster, president of the Brazilian Coffee Institute (IBC), will be meeting trade representatives in Brasilia today.

The meeting is expected to define export policy for the next three months, as well as indicating how the country will operate for the rest of the crop year ending next June.

Exporters make foreign sales of Brazil's coffee via export registries, informing the IBC each month how much they will be selling abroad. The IBC, meanwhile, controls the opening of registries in an attempt to bring stability to the market and guarantee a flow of revenue to the country each month.

NO 15—8/8½

Mr Dauster will seek to determine the right moment and price for August registries to be opened. If the institute's habitual formula for calculating the registry price is applied, it should be around 90 US cents per pound for that month, compared to $1.0613 for June, the last time registries were opened.

Mr Dauster is not expected to open July registries at all, given the 2.6m bags registered in June, about 2m of which the Institute was obliged to extend into this month.

As of July 13, about 300,000 bags of that total were still to be exported, traders said. Mr Dauster will probably be studying the extension problem at the Brasilia meeting to see whether all the June registries would indeed be carried out.

The exporters are also expected to press for registries to be opened for September, using the argument that this would reduce pressure on the market in the short term. The IBC, however, may prefer not to open September right now, since this would tend to exert a downward pressure on an already depressed international market price.

The institute is equally concerned to avoid a repetition of June, when a huge amount was registered in just one day, leading to various distortions in its business. These included the creation of a secondary market for registries, with exporters trading permission to export among themselves at a premium of $5 per 60-kilo bag, all of which is lost revenue for the IBC.

Another problem is that of extensions into the following month, something the institute is reluctant to permit, since it could have an accumulative effect throughout the year, pushing some of its revenue into 1988 and even beyond the end of the crop year next June.

In addition, the fact that consumers know in advance that huge amounts of exports are being pushed forward tends to force international prices still lower.

The latest IBC export figures indicate that, as of July 8, some 8.5m bags had actually been shipped while another 2.2m bags were due to load by the beginning of August. The country's stock position, meanwhile, was the following—7.3m bags were left over from the 1986-87 crop at the end of June, 6.5m of them with the IBC and 800,000 in the hands of traders. Another 3.5m bags from the current crop were harvested before the official start of the crop year (July 1), giving a grand total for stocks of 10.8m bags.

Scottish fish farming boost

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

THE Crown Estate Commissioners, the body which administers the seabed around Britain, is ready to spend more than £100,000 a year on research and training programmes to help Scotland's fast growing fish farming industry.

Through its ownership of the seabed—recently extended from three to 12 miles offshore—the Crown Estate Commissioners play an important role in the industry. Companies wishing to moor cages off the coast in which to rear salmon have to obtain permission from the Crown Estate Commissioners, who charge rent.

Salmon farming is one of Scotland's fastest growing industries. Since it began in the late 1970s, output has gone from nothing to more than 8,000 tonnes last year and is forecast to reach 16,000 tonnes this year, with a value of about £60m. The industry directly employs more than 1,000 people, the Crown Estate Commissioners said in their annual report for 1986-87, published yesterday.

At the beginning of this month the Crown Estate replaced the former peppercorn rent charged to fish farmers with a new rent formula which for the second half of 1987 will work out at £42.

During the long and sometimes acrimonious discussions with fish farmers over rents, the Crown Estate Commissioners indicated that they would plough back some of their increased income into the industry. The Earl of Mansfield, the first commissioner, said yesterday it would assist with research into such areas as disease control and the amount of capacity the marine environment has for fish farming. There would also be help with training.

The Crown Estates Office in Edinburgh continues to receive a stream of applications for fish farming sites, Lord Mansfield said. Around 160 applications were received between October 1986 and mid-June this year, "despite controversy over rents," he said.

The Crown Estate: report of the Commissioners for the year ended March 31, 1987. HMSO, £4.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,250-2,310 (2,300-2,350).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse 2.95-3.10 (same).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 1.53-1.58 (1.55-1.60, sticks 1.53-1.58 (1.55-1.60).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse 6.50-6.70 (same).

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 235-245 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse 2.60-265 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb in warehouse, 5.40-6.00 (same).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO, cif, 48-55 (same).

VANADIUM: European free market min 98 per cent VO, other sources, $ per lb VO, cif 2.62-2.68 (same).

URANIUM: Nuexco exchange value, $ per lb UO, 17.00 (same).

China's record rapeseed crop

CHINA, which completed rapeseed harvesting last month, has officially put this year's crop at a record 6.03m tonnes, up from last year's 5.81m, according to Oil World, the Hamburg-based newsletter.

However, China continued to be a big importer of oils and fats in the past three months, with most increases in soyabean and rapeseed oil imports, Reuter reports. At the same time palm oil shipments to China declined slightly during April/June.

The newsletter estimated that imports of six main oils and fats rose by 240,000 tonnes to a record 406,000 tonnes during the first half of the year.

Cashgora: a potential golden fleece

BY DAI HAYWARD IN WELLINGTON

CASHGORA, acclaimed as "the only new animal fibre of this century" is one of the most exciting — and potentially profitable — developments of New Zealand's rapidly expanding goat farming industry.

Two companies, one in Britain and one in Switzerland, have signed contracts to buy all New Zealand's production at a guaranteed price for the next five years. At present production is still relatively low and all the fibre is going into warehouses in Europe until the industry experts decided the most suitable and profitable end use.

The qualities of cashgora fall between those of cashmere and mohair — it is not as fine as cashmere but is much finer than the coarser mohair wool.

Cashgora is produced by crossing a carefully selected cashmere buck with an angora doe. The progeny produces cashgora.

As yet breeders and geneticists do not know whether the progeny of cashgora animals will in turn continue to produce cashgora fibre or revert to the more coarse mohair fibre.

The development of the fibre is important for the economics of goat farming. The more valuable cashmere fibre is much scarcer than mohair.

In 1984-85 New Zealand goat farms produced 100 tonnes of mohair against 15 tonnes of cashmere. This year goat farms will shear 260 tonnes of mohair and 50 tonnes of cashmere. Next season mohair production will jump to 380 tonnes and cashmere to 80 tonnes.

The production of cashgora fibre is rapidly increasing. In 1985 there were only enough of the cros-bred goats to produce 20 tonnes. This year this reached 100 tonnes and next year will be up to 165 tonnes of cashgora.

The cashgora fibre has a lustrous finish and may well become a suitable woven material for suitings.

NZ growers have been guaranteed NZ$22 (£8.22) a kilo for their cashgora fibre—with a 10 per cent bonus if they supply a specified quantity. There is also a built-in inflation clause in the five-year contract.

This price is below current market prices for the scarce cashmere—which this year averaged NZ29.5 a kilo—but is a much better return than the NZ$10 per kilo received for mohair fibre.

Efforts to develop and expand cashgora production are part of the realisation by the New Zealand goat farming industry that the lucrative days of goat farming to breed young animals for stud purposes are now over. Goat farms must become economic productive units depending on the proceeds of fibre and meat to survive.

There are more than 3,000 goat farmers in New Zealand. Many of them have introduced a herd of goats as an alternative to their sheep operations.

In three years the number of farm goats in New Zealand will have increased almost fourfold. In 1985 there were 230,000 goats on New Zealand farms. This year there are 649,000 and next year the national domestic goat herd will exceed 900,000

With the growth in goat numbers, the value of stud goats—originally in big demand for breeding purposes — has declined rapidly. Two years ago a well-bred top quality stud buck could sell for over NZ$100,000. Today stud goats with good pedigrees fetch around NZ$10,000.

Prices were also boosted by the operations of "city farmers"—groups of businessmen who formed companies to go into goat and other farming as a tax shelter. They were able to reap the benefits of government assistance to develop agriculture.

This helped to inflate prices for stock and for land artificially.

Recent changes in the law have removed the previous opportunities for tax avoidance and made the industry more commercially dependent on its productive returns.

As yet goats are farmed mainly for their fibre. For some decades there has been a small export industry in goat meat, but this depended mainly on the capture and processing of wild goats.

With the introduction of goat farming a few years ago, the price of breeding stock and animals mainly prohibited the slaughter of animals for meat production. As domesticated goat numbers climb towards the million mark, however, more attention will be paid to goat meat as an export commodity.

But at present it is the fibre which is the export product. This is why the development of cashgora fibre could prove to be so important to the industry.

Scotland launches breeding scheme

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

THE Scottish Development Agency and the European Community are contributing to a £500,000 project to breed cashmere-producing goats in Scotland.

Already five Scottish farmers have formed a co-operative named Cashmere Breeders, and it is planned that the number of farms will soon increase to 20. The five farms already have about 600 experimental breeding females.

The Scottish woollen industry is the world's largest user of raw cashmere fibre, all of it imported, from China, Afghanistan, Iran and Mongolia. The aim of the breeding project is to increase security of supplies, since China is already manufacturing cashmere garments and reducing the supply of wool for export.

Mr Fergus Wood, director of the Scottish Woollen Industry, the industry's trade association, hopes that within 10 years Scotland will be producing 250 tonnes of cashmere wool. Dawson International, the Scottish-based textile company which owns several big knitwear producers, uses about 1,000 tonnes of cashmere a year.

The development of herds of cashmere-producing goats has the potential to be a lucrative business since cashmere currently sells for about £70 per kilogram.

Research by agricultural institutes in Scotland shows that although conditions for rearing goats which would run with sheep are good, the indigenous Scottish feral goats produce relatively small amounts of cashmere.

The aim of the project is to perfect the development of a Scottish cashmere-producing goat. Already good results have been achieved with an inter-uterine insemination programme, using semen imported from Tasmania and imported Icelandic goats. Goats from other parts of the world are to be involved in experiments too.

The two-year project is receiving £265,000 in the form of an EC grant, and the Government is contributing to the project through the Scottish Development Agency. Other backers include the farmers themselves and companies including Dawson International.

LONDON MARKETS

NICKEL prices continued to rise on the London Metal Exchange, with the three-month position reaching £2,937.50, an increase of £30 following Monday's rise of £12.50 and Friday's rise of £67.50. Dealers said the bull trend reflected consumer demand, with a steady offtake by steel mills in a usually quiet period. Coffee prices rose on speculative interest from both London and New York, with the three-month robusta contract adding £32.50 to £1,261.50. The market also took a more optimistic view of the outcome of next week's International Coffee Organisation board meeting, believing the state of the market was likely to encourage producers to make progress on quotas. Cocoa prices also moved further ahead as producers and consumers, meeting at the International Cocoa Organisation council in London, were reported to be at an impasse on whether to cut buffer stock prices.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) $ per tonne	+ or −	High/Low
Cash	—	—	—
3 months	1603-5	−1.5	—

Official closing (am): Cash— (—), three months 1600-10 (1603-5), settlement — (—). Final kerb close 1595-1605. Ring turnover: nil tonnes.

99.5% purity	£ per tonne		
Cash	1014-16	+2	1010/1008
3 months	944-5	+3	945/940

Official closing (am): Cash 1010-11 (1018-19). three months 942-3 (943-3.5). settlement 1011 (1019). Final kerb close. 933-40. Ring turnover: 64,900 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or −	High/Low
Cash	1038-40	−8.75	1035/1034
3 months	1025.5-6	−6	1028.5/1018

Official closing (am): Cash 1033-5 (1040-5), three months 1014-16 (1023-30), settlement 1035 (1045). US producer prices 79.5/84 cents per lb. Total ring turnover: 34,375 tonnes.

Standard			
Cash	1037-9	−6	1036
3 months	1017-9	−6	—

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	409-11	−15	409/407
3 months	389.5-90	−11	400/378

Official closing (am): Cash 406-7 (426.5-7.5), three months 385-5.5 (401-1.5), settlement 407 (427.5). Final kerb close: 386-6.5. Ring turnover: 14,450 tonnes. US spot: 38/42 cents per lb.

NICKEL

	Unofficial close (p.m.) £per tonne	+ or −	High/Low
Cash	2915-20	+37.5	2930/2910
3 months	2935-40	+30	2950/2920

Official closing (am): Cash 2923-7 (2875-80). three months 2938-40 (2905-10), settlement 2927 (2880). Final kerb close: 2930-5. Ring turnover: 666 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	527-9	N/C	—
3 months	512-12.5	−1.5	514/510

Official closing (am): Cash 528-30 (526-7), three months 513.5-14.5 (511.5-12), settlement 530 (527). Final kerb close: 510-11. Ring turnover: 6,800 tonnes. US prime western: 47.5/48.5 cents per lb.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Puts Nov.
Aluminium 99.7%	—	—	—

		Calls Sept.	Calls Nov.	Puts Sept.	Puts Nov.
Aluminium 99.5%	1,525	—	—	34½	91½
	1,550	45	36½	47	108
	1,575	34	30	—	—
Copper (Grade A)	1,650	—	—	50½	86
	1,675	45	57	63½	102½
	1,700	33	48½	—	—
Copper (Grade A)	£/tonne 1,025	—	—	25	44½
	1,050	20	25½	39½	58½
	1,075	12½	18½	—	—

Estimates.

TIN

KUALA LUMPUR TIN MARKET: Close 18.25 (18.33) ringgit per kg. Down 0.08 ringgit per kg.

GOLD

GOLD BULLION (fine ounce)		July 14
Close	$446¾-447¼	(£277¼-277¾)
Opening	$447-447½	(£276¼-276¾)
M'n'g fix	$447.15	(276.787)
Aft'n'n fix	$447.00	£277.037)
Day's high	$449-449½	—
Day's low	$446¼-446¾	—

GOLD AND PLATINUM COINS		
Am Eagle	$459-464	(£284¼-288)
Mapleleaf	$459½-462½	(£285¼-287)
Kr'g'r'nd	$445½-448½	(£276½-278¼)
½ Krug	$233-234	(£144½-145¼)
¼ Krug	$117-118	(£72½-73¼)
Angel	$457½-460½	(£284-285¾)
1/10 Angel	$44-49	(£27¼-30½)
New Sov.	$105-106	(£65¼-65¾)
Old Sov.	$105-105½	(£65¼-66)
Noble Plat.	$580-590	(£360-366)

RUBBER

PHYSICALS — The London market opened unchanged, showed very little interest throughout the day and closed inactive, reports Lewis and Peat. Closing prices (buyers): Spot 69.00p (same), Aug 68.25p (68.00p), Sept 68.25p (68.00p). The Kuala Lumpur fob price Malaysia/Singapore cents) per kg: RSS No 1 was 256 (258.5); and for SMR 20 221.5 (222.5).

INDICES

REUTERS

July 13	July 10	M'th ago	Year ago
1641.8	1640.0	1616.8	1411.4

(Base: September 18 1931=100)

DOW JONES

Dow Jones	July 13	July 10	M'th ago	Year ago
Spot	137.93	138.56	—	124.79
Fut	126.29	126.28	—	112.54

(Base: December 31 1974=100)

MAIN PRICE CHANGES

	July 14 1987	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1655/675	−10	$1600/620
Copper			
Cash Grade A	£1039	−8.75	£975
3 months	£1026.75	−6.00	£955.5
Gold troy oz	$447	+0.25	$459.75
Lead Cash	£410	−15	£377
3 months	£389.75	−11.00	£358.5
Nickel			
Free Mkt.	214/234c	+4	204/224c
Palladium oz	$140.50	+2.5	$138.00
Platinum oz	$565.50	+8.5	$576.00
Quicksilver†	$240/250		$250/260
Silver troy oz.	476.65p	+8.45	457.80p
3 months	487.25p	+8.60	467.75p
Tin			
Free Mkt.	£4118/140	+70	£4140/170
Tungsten	$56.21		$58.76
Wolfram 22.0lb	$48/55		$48/55
Zinc	£528.7		£567
3 months	£512.25	−1.25	£536.75
producers	$850		$842
OILS			
Coconut (Phil)	$460z		$440
Palm Malayan	$307.5t	−20.0	$340
Seeds			
Copra (Phil)	$305x	−10	$290.5
Soyabean (U.S.)	$149x	−1	$158.5
GRAINS			
Barley Fut. Nov.	£99.25	+0.35	£96.95
Maize	£160.50		£155.00
Wheat Fut. Sept	£99.10	+0.20	£99.35
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1376.5	+70	£1284.5
Coffee Ft. Sept	£1261.5	+32.5	£1318.5
Cotton A Ind.*	82.85c	−0.15	81.35c
Gas Oil Aug.	$159.25	+0.75	$158
Rubber (kilo)	59.00p	+0.50	63.75p
Sugar (raw)	$172.00	−1.20	$171
Wooltops 64s	478p kilo		487p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. z July-Aug. x Aug-Sept. y Aug. w Oct-Nov. T-Sept.

SILVER

Silver was fixed 8.45p an ounce higher for spot delivery in the London bullion market yesterday at 476.65p. US cent equivalents of the rising levels were: spot 769.6c, up 14.1c; three-month 782.6c, up 14.35c; six-month 796.4c, up 14.85c; and 12-month 826.25c, up 16.25c. The metal opened at 473½-475½p (766-769c) and closed at 473-475p (762-765c).

SILVER per troy oz	Bullion Fixing price	+ or −	L.M.E. p.m. Unoff'cl	+ or −
Spot	476.65p	+8.45	762p	−8.0
3 months	487.25p	+8.60	774.5p	−7.5
6 months	498.25p	+8.85	—	—
12 months	520.65p	+9.70	—	—

LME—Turnover: 3 (1) lots of 10,000 oz.

Final kerb close 773-5c.

COFFEE

A strong performance in New York on Monday prompted further gains in London reports Drexel Burnham Lambert. Technical buying based on friendlier chart patterns added to near term moving averages crossing took levels some £35 above previous close. Industry did not appear to follow the market but showed interest below current levels providing another steadying feature.

COFFEE	Yesterday's close	+ or −	Business done
July	1222-1225	+21.5	1223-1210
Sept	1260-1265	+32.5	1265-1245
Nov.	1283-1288	+33.5	1285-1270
Jan	1303-1307	+31.5	1306-1293
Mar	1322-1328	+26.0	1329-1315
May	1330-1350	+30.0	1335 —
July	1304-1350	+15.0	—

Sales: 2707 (2145) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for July 13: Comp daily 1979 96.87 (95.49); 15-day average 96.63 (96.69).

COCOA

Although easier on the opening call futures rallied during the afternoon to make some highs £14 steadier on the day and close on a firm note. Some light producer interest was seen but consumers were again sidelined, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or −	Business done
July	1402-1404	+12.5	1406-1385
Sept	1378-1379	+7.0	1385-1361
Dec	1406-1407	+12.0	1408-1382
March	1416-1417	+8.0	1421-1399
May	1433-1434	+9.0	1434-1415
July	1448-1450	+9.0	1450-1438
Sept	1464-1466	+7.0	1464-1447

Sales: 4041 (7358) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for July 13: 1712.25 (1693.42); 10-day average for July 14: 1650.81 (1642.75).

FREIGHT FUTURES

After a dull morning, rumours of Russian activity sparked off a small rally, with the higher levels triggering buy stops adding fuel to the rise. Added to the announcement of the BFI at 0.5 down was less of a fall than expected as lower fixtures for the lesser routes had been reported, reports Clerkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
July	908/910	905/895	895/900
Oct.	975/976	980/950	956/955
Jan.	970/975	975.5/950	955/960
Apr.	990/995	990/975	995
July	—	—	867.5
Oct.	—	—	980
Jan.	—	—	980
April	—	—	1040/1075
BFI.	921.5	—	922

Turnover: 236 (53).

GRAINS

Old crop wheat saw an active last day's trading with consumer short covering pushing values to £124 before triggering keen long liquidation and values closed and expired at £122.85. New crops steadied on reflection of wet weather in South Western areas, potentially delaying early barley harvesting, hence values improved before finding keen speculative selling, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or −	BARLEY Yest'rdy's close	+ or −
July	122.85	+1.60	—	—
Sep.	99.10	+0.20	96.15	+0.50
Nov.	101.60	+0.80	99.25	+0.35
Jan.	104.30	+0.30	102.20	+0.35
Mar.	106.95	+0.30	104.60	+0.30
May	109.60	+0.25	106.20	+0.30
July	111.65	+0.25	—	—

Business done—Wheat: July 124.00-1.25, Sept 99.05-8.90, Nov 101.50-1.30, Jan 104.25-4.00, March 106.85 only, May 108.50 only. Sales: 174 lots of 100 tonnes. Barley: Sept 96.10-5.95, Nov 99.25 only, Jan untraded, March 104.60 only, May untraded. Sales: 39 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark Northern spring No. 2 14 per cent July 95.00, Aug 93.75, Sept 94.00. US No. 2 soft red winter July 86.50, Aug 87.00, Sept 88.50. French 11½-12 per cent July 118.75, Aug 118.00. English feed fob Sept 100.00/100.50. Oct/Dec 104.00/104.50. Jan/March 108.00/108.50 buyer/sellers. Maize: US No. 3 yellow/French transhipment East coast July 160.50. Barley: English feed Aug 96.00/96.50. Sept 98.50/99.00, Oct/Dec 102.50/103.50. Jan/March 106.50/109.50 buyer/sellers. Rest unquoted.

HGCA — Locational ex-farm spot prices: Feed Barley: S. East 93.30; S. West 96.30; W. Mids 91.30. The UK monetary coefficient for the week beginning Monday July 20, (based on HGCA calculations using 5 days exchange rates) is expected to change to 1.186.

JUTE

JUTE—July/Aug, c and f Dundee: BTC $530; BWC $520; BTD $450; BWD $440. C and f Antwerp: BTC $490; BWC $480; BWD $410; BTD $420.

POTATOES

Follow through selling from Monday's fall took prices down some £3.00 in early dealing, but good support was seen and by lunchtime most of the drop had been recovered. PMB announcement during lunch of planted area estimate was slow to filter into the market, but was generally construed as constructive, and prices rallied to close steady around the highs, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov	99.30	98.00	100.00-96.50
Feb.	108.00	108.00	—
Apr.	143.20	139.30	143.50-136.50
May	155.50	153.00	150.00

Sales: 1236 (1620) lots of 40 tonnes.

OIL

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel) August		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.60-17.65	−0.025
Brent Blend	19.80-19.85	+0.025
W.T.I. (1pm est)	21.50-21.55	+0.05
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	195-197	—
Gas Oil	155-158	—
Heavy fuel Oil	112-114	+0.5
Naphtha	175-177	−1

Petroleum Argus estimates

US MARKETS

CRUDE OIL futures were once again well supported by trade and local buying, though the funds were a noted seller of the September contract, and scattered profittaking was also noted, reports Drexel Burnham Lambert. Early commission house buying firmed precious metals before trade selling depressed prices, touching off stops before the trade turned buyer at lower levels prompting short-covering towards the close. Fund short selling in copper touched off stops as the market remained under pressure for most of the day. Cocoa fell in early trading on commisison house selling but arbitrage and fund buying rallied prices to the highs where the trade emerged as a seller. Early trade buying in coffee dissipated as local and commission house selling touched off stops. Cotton fell as trade selling depressed prices. Trade selling in sugar touched off stops before the trade turned scale - down buyer. The meat markets continued to weaken as cash prices eased, while in the grains and soyabean complex, forecasts of warm and drier weather led to short-covering across the board, while in the meal,firmer premiums added to the firmer tone, and in the oil, commercial buying steadied prices. Wheat gained support from potential tenders under the US export subsidy programme.

NEW YORK

ALUMINIUM 40,000 lb. cents/lb	Latest	Prev	High	Low
July	73.50	73.50	73.75	73.50
August	—	73.05	—	—
Sept	71.90	72.50	72.90	71.90
Dec	71.45	71.35	71.45	71.45
Jan	—	69.80	—	—
Feb	—	—	—	—
March	68.56	68.80	68.55	68.56

COCOA 10 tonnes, $/tonnes	Close	Prev	High	Low
July	20.67	20.76	20.67	20.67
Sept	20.99	20.52	21.19	20.78
Dec	21.06	20.96	21.10	20.80
March	21.21	21.06	21.24	20.97
May	21.43	21.23	21.40	21.25
July	21.66	21.44	—	—
Sept	21.86	21.76	21.97	21.66
Dec	22.20	22.01	—	—

COFFEE "C" 37,500 lb, cents/lb	Close	Prev	High	Low
July	104.40	104.73	106.25	103.75
Sept	104.76	105.05	106.70	104.15
Dec	107.82	107.83	109.25	107.40
March	110.02	110.05	111.50	110.00
May	111.51	111.38	113.50	112.25
July	111.05	111.00	114.00	113.00
Sept	114.13	111.25	—	—
Dec	114.89	118.75	—	—

COPPER 25,000 lb, cents/lb	Close	Prev	High	Low
July	74.30	75.40	75.20	73.40
August	73.90	75.10	—	—
Sept	73.30	74.50	74.30	72.30
Dec	72.56	73.50	73.36	71.60
Jan	72.35	73.35	—	—
March	71.85	72.80	72.86	71.15
May	71.65	72.56	72.45	72.35
July	71.66	72.46	72.40	71.00
Sept	71.65	72.35	—	—
Dec	71.76	72.45	72.00	72.00

SILVER 5,000 troy oz, cents/troy oz	Close	Prev	High	Low
July	760.4	761.3	770.0	760.0
Aug	762.7	763.7	—	—
Sept	768.9	769.6	780.5	765.5
Dec	782.5	783.6	794.0	780.0
Jan	787.1	788.3	790.0	—
March	797.4	798.6	809.0	796.0
May	807.8	809.0	817.5	815.5
July	818.2	819.4	—	—
Sept	828.8	829.8	830.0	—
Jan	850.6	851.8	—	—
May	873.9	875.1	—	—

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels	Latest	Prev	High	Low
August	21.56	21.40	21.57	21.27
Sept	20.97	20.81	20.97	20.71
Oct	20.54	20.57	20.66	20.49
Nov	20.54	20.45	20.55	20.40
Dec	20.55	20.40	20.50	20.36
Jan	—	20.36	20.44	20.36
Feb	20.41	20.33	20.41	20.36
March	20.35	20.31	20.37	20.35
April	20.35	20.30	20.38	20.34

GOLD 100 troy oz, $/troy oz	Close	Prev	High	Low
July	447.9	446.9	447.3	447.0
August	449.5	448.5	451.0	447.5
Sept	452.0	451.1	—	—
Oct	454.8	453.8	456.0	452.8
Dec	460.0	459.0	461.3	458.0
Feb	465.4	464.4	466.0	463.7
April	470.8	469.8	472.5	470.0
May	—	—	—	—
June	—	447.8	—	—
August	482.1	481.1	484.0	480.5
Sept	476.3	—	476.0	476.0
Oct	488.1	487.1	490.5	487.0
Dec	494.1	493.1	495.5	493.0
Feb	500.3	499.3	500.0	500.0

HEATING OIL 42,000 US gallons, cents/US gallons	Latest	Prev	High	Low
August	56.25	56.02	56.36	54.70
Sept	56.90	56.71	56.65	55.35
Oct	56.56	56.38	58.75	56.06
Nov	57.40	57.17	57.56	56.85
Dec	58.15	57.97	58.35	57.75
Jan	—	—	—	—
Feb	—	—	—	—
March	57.25	57.02	57.60	56.95
April	56.90	56.32	56.40	56.40

ORANGE JUICE 15,000 lb. cents/lb	Latest	Prev	High	Low
July	130.00	121.40	131.00	130.00
Sept	126.00	138.90	126.90	126.90
Nov	123.30	123.75	123.75	122.50
Jan	122.20	121.00	122.35	122.10
March	122.00	121.75	122.10	122.00
May	122.35	122.00	122.35	122.35

PLATINUM 50 troy oz, $/troy oz	Close	Prev	High	Low
July	564.0	568.2	570.0	564.0
August	—	581.2	—	—
Sept	—	—	—	—
Oct	566.5	570.5	576.5	564.5
Jan	574.5	577.1	582.0	574.0
Feb	—	—	—	—
April	581.5	584.1	587.5	580.5
July	586.0	591.1	586.0	584.5
Oct	585.0	596.1	—	—

COTTON 50,000 lb, cents/lb	Latest	Prev	High	Low
Oct	73.56	73.80	73.85	73.25
Dec	72.28	72.35	72.70	71.80
March	73.10	73.08	73.30	72.70
May	73.60	73.65	73.65	73.20
July	—	73.77	73.65	73.60
Oct	68.70	68.00	—	—
Dec	—	66.55	66.60	66.60

SUGAR WORLD "11" 112,000 lbs. cents/lb	Close	Prev	High	Low
Sept	6.61	6.70	6.65	6.60
Oct	6.83	6.96	6.84	6.82
Jan	7.06	7.20	—	—
March	7.36	7.45	7.44	7.33
May	7.52	7.61	7.62	7.51
July	7.67	7.76	7.75	7.67
Oct	7.86	7.96	7.91	7.84

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb	Close	Prev	High	Low
Aug	61.65	62.60	62.30	61.20
Oct	60.70	61.30	61.65	60.25
Dec	62.80	63.77	63.82	62.62
Feb	63.45	64.22	64.40	63.35
April	64.58	65.05	65.15	64.20
June	63.97	64.50	64.10	63.75
Aug	62.90	63.36	63.10	62.60

LIVE HOGS 30,000 lbs, cents/lb	Close	Prev	High	Low
July	58.17	58.90	59.20	57.95
Aug	53.29	54.17	54.62	53.10
Oct	44.55	45.72	45.97	44.50
Dec	44.97	46.00	46.22	44.85
Feb	44.20	44.47	44.36	44.10
April	41.50	41.75	41.82	41.20
June	43.00	43.00	43.00	42.60
July	43.30	43.00	43.55	43.20
Aug	41.75	41.75	—	41.55

MAIZE 5,000 bu min, cents/56 lb bushel	Close	Prev	High	Low
July	164.2	162.6	165.0	163.0
Sept	171.2	169.6	171.2	169.6
Dec	178.8	176.6	179.0	177.4
March	187.6	185.0	187.6	185.6
May	192.6	191.0	192.6	191.6
July	194.2	192.6	194.4	193.6
Sept	193.2	192.0	—	—

PORK BELLIES 38,000 lbs, cents/lb	Close	Prev	High	Low
July	76.90	78.00	78.25	76.00
Aug	72.90	74.57	76.00	72.75
Feb	59.20	59.90	60.00	58.95
March	58.97	59.20	59.60	58.30
May	58.50	58.97	59.70	59.60

SOYABEANS 5,000 bu min, cents/60 lb bushel	Close	Prev	High	Low
July	546.4	543.6	548.0	546.4
Aug	538.2	534.2	539.0	535.2
Sept	528.2	519.4	530.0	525.0
Nov	531.6	519.6	532.0	527.0
Jan	540.0	526.6	540.0	535.0
March	548.0	536.4	548.0	543.4
May	553.0	541.0	553.4	551.0
July	553.0	542.0	555.0	552.0
Aug	549.0	537.0	550.0	548.0

SOYABEAN MEAL 100 tons, $/ton	Close	Prev	High	Low
July	170.4	168.4	170.5	169.2
Aug	166.2	163.7	166.3	165.0
Sept	162.7	160.1	162.8	161.5
Oct	160.0	157.0	161.0	159.0
Dec	161.1	157.3	161.5	159.5
Jan	161.5	157.9	162.0	161.0
March	164.5	161.7	165.0	162.5
May	164.2	161.5	164.5	163.5
July	164.5	161.5	164.0	165.0
Aug	164.5	161.5	164.0	165.0

SOYABEAN OIL 60,000 lbs, cents/lb	Close	Prev	High	Low
July	16.17	16.05	16.26	16.09
Aug	16.28	16.13	16.37	16.20
Sept	16.47	16.30	16.54	16.38
Oct	16.64	16.46	16.72	16.55
Dec	16.97	16.77	17.05	16.87
Jan	17.11	16.93	17.20	17.07
March	17.42	17.20	17.45	17.37
May	17.65	17.55	17.70	17.62
July	17.90	17.72	17.90	17.90

WHEAT 5,000 bu min, cents/60 lb bushel	Close	Prev	High	Low
July	261.4	262.0	264.4	261.0
Sept	268.0	267.2	270.4	267.6
Dec	277.6	277.4	280.4	277.4
March	281.2	281.0	283.4	281.0
May	274.0	275.0	277.0	274.0
July	263.0	262.0	265.0	263.0

SPOT PRICES: Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 763.00 (789.000) cents per troy ounce. New York tin 301.00-308.00 (303.00-308.00) cents per pound.

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or −	Business done
August	130.1-130.8	−0.55	130.6-130.0
October	127.5-128.5	+0.55	126.8
Dec	127.4-128.0	+1.10	126.5
Feb	128.5-130.5	+0.50	—
April	129.5-131.0	+0.25	—
June	128.0-129.0	−0.50	—
August	128.5-129.0	−0.25	—

Sales: 61 (76) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $172.00 (£106.80), down $1.20 (down £0.80) a tonne for July/August delivery. White sugar $184.40 (same).

No. 6 Contract	Yest'rdy's close $ per tonne	Previous close	Business done
Aug	150.4-151.5	152.0-152.4	151.6-150.0
Oct	154.2-154.8	154.4-155.6	155.4-153.4
Dec	158.5-160.0	159.4-161.0	—
Mar	165.2-165.8	166.0-168.2	165.8-164.5
May	168.0	169.2-169.6	—
Aug	171.4-172.8	172.0-174.0	—
Oct	176.0-176.8	175.8-177.2	176.8-175.0

Sales: 1020 (772) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £211.00 (£212.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for July 10. Daily price 6.53 (6.51); 15-day average 6.48 (same).

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or −	Business done
Aug	167.00	−0.25	167.50-65.00
Sept	169.25	+0.75	169.50-68.50
Oct	171.25	+0.50	171.25-69.00
Nov	173.00	+0.75	173.25-70.75

Turnover: 3,201 (3,519) lots of 100 tonnes.

Turnover: 2498 (3201) lots of 100 tonnes.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar waits for trade figures

THE DOLLAR remained confined to a narrow range in currency markets yesterday ahead of the release today of US trade figures for May. Most analysts were expecting little change from the April deficit of $13.3bn but there appeared to be little incentive in running long dollar positions just at the moment.

Attempts to push the dollar firmer were always likely to meet resistance, at DM 1.85 and investors were also aware that central banks would probably intervene above this level in order to stop the rise. Consequently many traders were just content to square their books and wait for the effects if any of the trade figures.

While attention focused on the trade data, news that US retail sales rose by 0.4 per cent compared with a revised fall in May of 0.3 per cent failed to bring any relief to the boredom.

The dollar touched a high of DM 1.8510 late in the day as the latest rumour suggested a narrowing of the US trade deficit to $11bn. There was no substance behind the suggestion but speculators were nervous enough to cover any short positions. Consequently the dollar finished well up from the day's low of DM 1.8395 to finish at DM 1.85, up from DM 1.8425 on Monday. Against the yen it rose to Y151.05 from Y150.95. Elsewhere it finished at SFr 1.5405 from SFr 1.5360 and FFr 6.1550 from FFr 6.1325.

On Bank of England figures, the dollar's exchange rate index was 103.3 from 103.2.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. June average 1.6289. Exchange rate index 73.0, unchanged from the opening and compared with 73.1 on Monday. The six months ago figure was 68.5.

Sterling was also very steady and showed little reaction to better than expected industrial production figures. The May figure rose a provisional 1.2 per cent in May compared with a 0.7 per cent decline in April. Against the dollar the pound eased to $1.6105 from $1.6175 but was unchanged against the D-Mark at DM 2.98. Against the yet it slipped to Y243.25 from Y244.25. Elsewhere it finished at SFr 2.48 from SFr 2.4850 and FFr 9.9125 compared with FFr 9.92.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. June average 1.8186. Exchange rate index 146.7 against 147.2 six months ago.

Trading was subdued in Frankfurt ahead of today's US trade figures. The dollar closed at DM 1.8465 against DM 1.8435 on Monday. It had been weaker at the start of the day but there was no incentive to break out of the recent trading range and with DM 1.85 providing an effective ceiling, traders were content to square positions ahead of the trade figures.

Earlier in the day the dollar had been fixed at DM 1.8435 down from DM 1.8459 and there was no intervention at the fixing by the Bundesbank.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. June average 144.52. Exchange rate index 212.6 against 209.3 six months ago.

Nervousness ahead of the US trade figures pushed the dollar weaker against the yen in Tokyo. Investors took profits and restricted their exposure since the trade figures are expected to play a leading role in establishing the market's attitude towards the dollar. The US unit finished at Y150.60 down from Y151.10 in New York and Y151.30 in Tokyo on Monday.

Most analysts were looking for a figure little changed from April's $13.3bn deficit in which case the effect on the dollar was likely to be marginal.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0918	+1.49	+0.85	±1.5344
Danish Krone	7.85212	7.88182	+0.38	−0.26	±1.6404
German D-Mark	2.05853	2.07697	+0.90	+0.26	±1.0981
French Franc	6.90403	6.91046	+0.09	−0.55	±1.3674
Dutch Guilder	2.31943	2.33768	+0.79	+0.15	±1.5012
Irish Punt	0.768411	0.775150	+0.88	+0.24	±1.6684
Italian Lira	1483.58	1502.93	+1.30	+1.22	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

July 14	Latest	Previous Close
£ Spot	1.6110-1.6120	1.6150-1.616
1 month	0.32-0.31 pm	0.31-0.29 pm
3 months	0.85-0.82 pm	0.88-0.85 pm
12 months	2.67-2.57 pm	2.85-2.78 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	July 14	Previous
8.30 am	73.0	73.0
9.00 am	73.0	73.0
10.00 am	73.0	73.0
11.00 am	73.0	73.0
Noon	73.0	73.0
1.00 pm	73.0	73.0
2.00 pm	73.0	73.0
3.00 pm	73.0	73.1
4.00 pm	73.0	73.1

CURRENCY RATES

July 14	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.78645	0.697563
U.S. Dollar	5.5	1.2697	1.12622
Canadian $	7.90	*	1.48548
Austrian Sch.	4	16.4595	14.5991
Belgian Franc	7½	48.5673	43.0918
Danish Krone	7	N/A	7.88182
Deutsche Mark	3.0	2.3407	2.07697
Neth. Guilder	4½	2.6347	2.33768
French Franc	9½	N/A	6.91046
Italian Lira	11.5	"	1502.93
Japanese Yen	2½	191.22	170.025
Norway Krone	8	8.56817	7.59688
Spanish Peseta	—	N/A	142.748
Swedish Krona	7½	"	7.23424
Swiss Franc	3.5	"	1.73324
Greek Drach.	20½	176.200	156.251
Irish Punt	—	N/A	0.775150

*C$/SDR rate for July 13; 1.67439

CURRENCY MOVEMENTS

July 14	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.0	−20.7
U.S. Dollar	103.3	−4.0
Canadian Dollar	79.1	−9.4
Austrian Schilling	137.5	+10.2
Belgian Franc	99.7	−4.7
Danish Krone	92.0	+2.3
Deutsche Mark	146.7	+21.4
Swiss Franc	171.5	+21.9
Guilder	134.7	+14.2
French Franc	71.6	−12.8
Lira	47.1	−18.4
Yen	212.6	+58.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

July 14	£	$
Argentina	2.9745-2.9875	1.8440-1.8510
Australia	2.2885-2.2915	1.4175-1.4185
Brazil	71.7270-72.1295	44.4680-44.6900
Finland	7.2135-7.2260	4.4680-4.4700
Greece	222.10-225.75	137.50-139.85
Hong Kong	12.6000-12.6110	7.8095-7.8105
Iran	117.35*	72.25*
Korea (Sth)	1299.45-1311.20	804.70-811.30
Kuwait	0.45820-0.45870	0.28380-0.28390
Luxembourg	61.70-61.80	38.30-38.40
Malaysia	4.0925-4.0975	2.5365-2.5380
Mexico	2211.40-2235.40	1371.00-1385.00
N. Zealand	2.6960-2.7010	1.6690-1.6710
Saudi Ar.	6.0535-6.0590	3.7495-3.7505
Singapore	3.4165-3.4205	2.1175-2.1185
S. Af. (Cm)	3.3060-3.3215	2.0515-2.0555
S. Af. (Fn)	5.2525-5.4295	3.2520-3.3615
Taiwan	50.15-50.40	31.05-31.15
U.A.E.	5.9290-5.9345	3.6725-3.6735

*Selling rate

POUND SPOT—FORWARD AGAINST THE POUND

July 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6100-1.6180	1.6100-1.6110	0.32-0.29c pm	2.27	0.87-0.82 pm	2.10
Canada	2.1215-2.1336	2.1235-2.1245	0.12-0.02c pm	0.40	0.24-0.11 pm	0.33
Netherlands	3.34½-3.35¼	3.34¾-3.35¾	1⅛-1c pm	3.80	3⅛-3 pm	3.73
Belgium	61.65-62.15	61.70-61.80	10-9c pm	1.85	41-36 pm	2.49
Denmark	11.28¼-11.31½	11.30-11.31	⅞-1⅛ ore dis	−0.93	2⅛-3⅜ dis	−1.06
Ireland	1.1095-1.1135	1.1120-1.1130	0.03-0.04p dis	−0.05	0.11-0.11 dis	—
W. Germany	2.97¼-2.98½	2.97½-2.98½	1⅜-1¼pf pm	5.29	4-3¾ pm	5.20
Portugal	232.55-233.82	232.55-233.45	94-160c dis	−6.54	328-411 dis	−6.34
Spain	204.32-205.07	204.35-205.65	139-221c dis	−10.56	326-458 dis	−7.67
Italy	2151½-2158	2154½-2155½	Par-3 lire dis	−0.84	4-10 dis	−1.30
Norway	10.87¼-10.91	10.87¼-10.88¼	4⅞-5¼ ore dis	−5.31	13⅜-14½ dis	−5.06
France	9.89-9.92	9.90¼-9.91¼	1¼-⅞c pm	1.29	3-2⅛ pm	1.03
Sweden	10.37-10.39	10.37-10.38	⅛ pm-⅛ ore dis	—	⅛ pm-½ dis	−0.07
Japan	242¾-243¼	242¾-243¼	1⅛-1 y pm	5.55	3⅛-3 pm	5.04
Austria	20.89-20.94	20.89-20.92	9¼-8½ gro pm	5.09	25⅝-23⅝ pm	4.71
Switzerland	2.47½-2.48½	2.47½-2.48½	1⅛-1⅛ c pm	5.75	3⅛-3⅛ pm	5.24

Belgian rate is for convertible francs. Financial franc 62.00-62.10. Six-month forward dollar 1.66-1.61 c pm. 12-month 2.85-2.75c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6100-1.6180	1.6100-1.6110	0.32-0.29c pm	2.27	0.87-0.82 pm	2.10
Ireland†	1.4485-1.4555	1.4490-1.4500	0.27-0.22c pm	2.02	0.89-0.77 pm	2.28
Canada	1.3170-1.3190	1.3170-1.3180	0.19-0.22c dis	−1.87	0.57-0.60 dis	−1.78
Netherlands	2.0710-2.0825	2.0815-2.0825	0.29-0.26c pm	1.59	0.87-0.82 pm	1.63
Belgium	38.18-38.40	38.30-38.40	2.50-0.50c pm	0.47	6-3 pm	0.47
Denmark	6.98¼-7.02¼	7.01¾-7.02¼	1.05-1.75ore dis	−2.40	4.45-5.15 dis	−2.74
W. Germany	1.8395-1.8510	1.8495-1.8505	0.51-0.48pf pm	3.22	1.46-1.41pm	3.12
Portugal	143¾-144½	144¼-144½	80-110c dis	−7.93	280-310 dis	−8.21
Spain	126.55-126.95	126.85-126.95	110-160c dis	−12.77	310-360 dis	−10.57
Italy	1332½-1340	1338¼-1338¾	3.00-4.00lire dis	−3.15	10.00-13.00dis	−3.45
Norway	6.73-6.75¼	6.75¼-6.75¾	4.05-4.55ore dis	−7.65	11.80-12.30dis	−7.14
France	6.12¾-6.16	6.15¼-6.15¾	0.42-0.52c dis	−0.92	1.50-1.80 dis	−1.08
Sweden	6.41½-6.44½	6.44-6.44½	1.00-1.30ore dis	−2.15	3.20-3.60 dis	−2.12
Japan	150.45-151.10	151.00-151.10	0.43-0.40y pm	3.30	1.17-1.12 pm	3.04
Austria	12.93½-12.96¼	12.95¾-12.96¼	3.30-2.98gro pm	2.87	9.00-8.00pm	2.62
Switzerland	1.5340-1.5415	1.5400-1.5410	0.46-0.41c pm	3.39	1.25-1.20 pm	3.19

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.50-38.60

EURO-CURRENCY INTEREST RATES

July 14	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8⅞-9⅛	8⅞-9	8⅞-9	9-9⅛	9⅛-9¼	9¼-9⅜
U.S. Dollar	6⅞-6¾	6⅞-6⅞	6⅞-6⅞	6⅞-7	7-7⅛	7⅜-7½
Can. Dollar	8¼-8½	8⅜-8⅝	8¼-8½	8⅜-8⅝	8⅞-8⅞	8⅞-9⅛
D. Guilder	5⅛-5⅜	5-5⅛	5⅛-5⅜	5⅛-5¼	5⅛-5⅜	5¼-5⅜
Sw. Franc	2¼-2½	2¼-2½	3⅝-3¾	3⅞-3⅞	3⅞-4	3⅞-4⅛
Deutschmark	3⅞-3⅞	3⅞-3⅞	3⅞-3⅞	3⅝-3⅞	3⅞-4⅛	4⅛-4⅜
Fr. Franc	7⅛-7⅜	7⅜-7½	7⅝-7⅞	7⅞-8⅛	8¼-8⅜	8⅝-8¾
Italian Lire	9-11	9⅛-9⅞	9½-10	10-10⅜	10¼-10⅝	10¾-11
B. Fr. (Fin.)	6⅜-6⅝	6⅜-6⅝	6⅜-6½	6½-6⅝	6⅞-6⅞	7-7⅛
B. Fr. (Con.)	6½-6⅞	6⅛-6⅝	6⅛-6⅝	6⅜-6¼	6½-6⅞	6¾-7⅛
Yen	3⅛-3⅛	3⅝-3⅞	3⅜-3⅞	4-4⅛	4⅛-4⅛	4⅜-4⅛
D. Krone	9⅛-9½	9⅜-9¾	9⅜-9¾	9⅝-10	10⅜-10¾	10⅝-11
Asian $Sing.	3-3¼	N/A	3⅞-4⅛	4⅛-4⅜	4⅜-4½	4⅜-4¾

Long-term Eurodollars: Two years 7¾-8 per cent; three years 8-8¼ per cent; four years 8¼-8½ per cent; five years 8⅜-8⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 14	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1.	1.611	2.980	243.3	9.913	2.480	3.353	2155.	2.124	61.75
$	0.621	1.	1.850	151.1	6.155	1.541	2.082	1339.	1.319	38.35
DM	0.336	0.540	1.	81.63	3.326	0.832	1.125	723.2	0.713	20.72
YEN	4.111	6.621	12.25	1000.	40.75	10.20	13.78	8859.	8.732	253.9
F Fr.	1.009	1.625	3.006	245.4	10.	2.502	3.382	2174.	2.143	62.30
S Fr.	0.403	0.649	1.202	98.08	3.997	1.	1.352	869.0	0.856	24.90
H Fl.	0.298	0.480	0.889	72.56	2.957	0.740	1.	642.8	0.634	18.42
Lira	0.464	0.747	1.383	112.9	4.600	1.151	1.556	1000.	0.986	28.65
C $	0.471	0.759	1.403	114.5	4.667	1.168	1.578	1015.	1.	29.07
B Fr.	1.619	2.608	4.826	393.9	16.05	4.016	5.425	3490.	3.440	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Trade rumours boost US bonds

US TREASURY bond futures closed at the day's high on the London International Financial Futures Exchange yesterday, following a rumour about today's US trade figures.

September delivery US bonds opened lower at 91-12, but in line with the overnight close in Chicago. The contract rose to 91-18 in the morning, but was stuck in a narrow range, before publication of June US retail sales. The rise of 0.4 per cent was lower than forecast, and without car sales the figure was unchanged.

September bonds rose to 91-25, but soon fell back to 91-18. The contract drifted down to a low of 91-08, before recovering to close at the day's peak of 91-31, compared with 91-26 on Monday.

The strong close followed a rumour that today's US trade figures for May will show a deficit of only $11bn, compared with most forecasts of around $13.2bn.

Japanese Government bond futures traded much more quietly than on Monday. Volume was only 3,854 compared with 36,075, and dealers were disappointed, but perhaps not surprised, to find that in spite of Monday's very active trading open interest was only 532 contracts.

Japanese bonds for September delivery fell to 108.80 in Tokyo, before rising to 109.10 on a bear squeeze, and opening at that level on Liffe. The contract fell to a low of 108.95, as US bonds rose, and closed at 109.04, compared with 109.02, amid some uncertainty ahead of today's US trade and Japanese money supply figures.

September long term gilt futures opened weak at 123-27, and traded around 123-23 ahead of figures on May UK industrial production.

The rise of 1.2 per cent produced no reaction, and the contract drifted down, falling to a low of 123-15 on the US trade rumour. Dealers said the market is waiting for tomorrow's figures on the UK public sector borrowing requirement, and monthly average earnings.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
118	5.41	6.17	0.05	0.53
120	3.52	4.52	0.16	1.24
122	2.19	3.36	0.47	2.08
124	1.12	2.34	1.40	3.06
126	0.34	1.50	2.62	4.22
128	0.12	1.11	4.40	5.47
130	0.03	0.53	6.31	7.25
132	0.01	0.33	8.29	9.05

Estimated volume total, Calls 1,228 Puts 981
Previous day's open int: Calls 27,149 Puts 17,085

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
84	7.63	7.23	0.01	0.21
86	6.04	5.44	0.06	0.42
88	4.17	4.13	0.19	1.11
90	2.46	2.62	0.48	1.60
92	1.24	1.58	1.26	2.56
94	0.34	1.12	2.36	4.10
96	0.11	0.44	4.13	5.42
98	0.03	0.25	6.05	7.23

Estimated volume total, Calls 185 Puts 61
Previous day's open int: Calls 1,522 Puts 649

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last July	Calls—Last Aug.	Puts—Last July	Puts—Last Aug.
22750	14.37	15.35	0.01	1.00
23000	11.92	13.29	0.04	1.44
23250	9.54	11.36	0.13	2.01
23500	7.30	9.57	0.33	2.72
23750	5.28	7.96	0.74	3.61
24000	3.58	6.51	1.45	4.66
24250	2.25	5.25	2.54	5.90
24500	1.30	4.16	4.04	7.31

Estimated volume total, Calls 16 Puts 9
Previous day's open int. Calls 102 Puts 131

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Aug.	Sept.	Oct.	Dec.	Puts—Last Aug.	Sept.	Oct.	Dec.
1.45	—	16.28	—	16.28	—	0.00	—	0.32
1.50	11.28	11.28	11.28	11.28	0.00	0.06	0.27	0.92
1.55	6.28	6.28	6.44	7.08	0.07	0.48	1.04	2.17
1.60	2.00	2.70	3.25	4.20	1.03	1.99	2.85	4.29
1.65	0.26	0.81	1.32	2.24	4.29	5.10	5.92	7.33
1.70	0.01	0.16	0.42	1.06	9.04	9.45	10.02	11.15
1.75	0.00	0.02	—	0.45	14.03	14.31	—	15.54

Estimated volume total, Calls 0 Puts 0
Previous day's open int, Calls 303 Puts 1481

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Aug.	Sept.	Oct.	Dec.	Puts—Last Aug.	Sept.	Oct.	Dec.
1.45	—	12.70	—	12.90	—	1.50	—	2.70
1.50	11.80	11.80	11.80	12.00	0.20	0.25	0.55	1.10
1.55	6.80	6.80	7.05	7.60	0.25	0.65	1.35	2.30
1.60	2.60	3.10	3.65	4.40	1.25	2.00	2.80	4.25
1.65	0.65	1.10	1.65	2.30	4.200	5.00	5.80	7.25
1.70	0.20	0.40	0.70	1.20	8.90	9.25	9.70	11.00
1.75	0.35	0.50	—	1.20	14.80	15.30	—	16.50

Previous day's open int: Calls 753 Puts 253
Volume: 10

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Aug.	Sept.	Oct.	Dec.	Puts—Last Aug.	Sept.	Oct.	Dec.
1.600	2.05	2.70	3.20	3.90	0.90	1.70	2.50	3.60
1.625	0.90	1.55	2.00	2.80	2.10	2.90	3.80	4.90
1.650	0.30	0.80	1.40	2.05	4.10	4.80	5.60	6.70
1.675	0.15	—	0.80	1.45	6.40	—	7.50	8.50
1.700	0.05	0.15	0.50	1.00	18.60	8.90	9.50	10.40
1.725	—	0.05	0.25	0.70	11.10	11.20	9.50	12.50
1.750	—	0.10	—	0.45	13.50	13.80	—	14.70

Previous day's open int: Calls 67,915 Puts 51,965
Previous day's volume: Calls 2,193 Puts 119

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Sept.	Dec.	Mar.	June	Puts—Last Sept.	Dec.	Mar.	June
91.25	1.61	1.35	1.23	—	0.00	0.04	0.14	—
91.50	1.36	1.12	1.03	—	0.00	0.06	0.19	—
91.75	1.11	0.91	0.85	—	0.00	0.10	0.26	—
92.00	0.87	0.71	0.68	—	0.01	0.15	0.34	—
92.25	0.64	0.53	0.53	—	0.03	0.22	0.44	—
92.50	0.42	0.38	0.40	—	0.06	0.32	0.56	—
92.75	0.25	0.26	0.29	—	0.14	0.45	0.70	—

Previous day's open int: Calls 1,983 Puts 2,173
Estimated volume, Calls 1 Puts 1

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	123-18	123-27	123-15	124-00
Dec.	123-14	—	—	123-28

Estimated volume 19,081 (16,925)
Previous day's open int. 30,998 (29,665)

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Sept.	109.04	109.11	108.95	109.02
Dec.	108.15	—	—	108.27

Estimated Volume 3,854 (35,953)
Previous day's open int. 532 (—)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Sept.	90.75	90.79	90.75	90.80
Dec.	90.76	90.79	90.75	90.81
Mar.	90.71	90.73	90.70	90.77
June	90.66	—	—5	90.71
Sept.	90.59	—	—	90.63
Dec.	90.34	—	—	90.38

Estimated Volume 2,110 (3,106)
Previous day's open int. 13,306 (13,139)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Sept.	241.85	242.60	240.00	242.30
Dec.	246.85	—	—	247.30

Estimated volume 1,490 (994)
Previous day's open int. 6,292 (6,244)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Sept.	92.86	92.87	92.81	92.85
Dec.	92.56	92.57	92.52	92.55
March	92.34	92.34	92.30	92.33
June	92.12	92.12	92.11	92.11
Sept.	91.92	91.90	91.89	91.92
Dec.	91.72	—	—	91.72
Mar.	91.53	—	—	91.53
June	91.35	—	—	91.35

Estimated volume 3,933 (3,132)
Previous day's open int. 27,536 (27,299)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	91.31	91.31	91.08	91.26
Dec.	91.01	—	—	90.28

Estimated Volume 4,765 (2,446)
Previous day's open int. 4,739 (4,912)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Sept.	91-26	91-29	91-07	91-21
Dec.	90-25	90-28	90-07	90-21
Mar.	89-27	89-28	89-11	89-23
June	89-00	89-00	88-19	88-27
Sept.	88-06	88-06	87-25	88-01
Dec.	—	—	—	87-09
Mar.	—	—	—	86-18
June	—	—	—	85-29
Sept.	—	—	—	85-09
Dec.	—	—	—	84-23
Mar.	—	—	—	84-07

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	94.20	94.23	94.17	94.17
Dec.	—	93.97	93.91	93.93
Mar.	93.75	93.75	93.72	93.72
Jun.	—	93.53	—	93.52
Sept.	—	—	—	93.33
Dec.	—	—	—	93.16
Mar.	—	—	—	92.96

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep.	0.6522	0.6546	0.6521	0.6538
Dec.	0.6576	0.6601	0.6576	0.6593
Mar.	0.6635	0.6660	0.6635	0.6656
June.	0.6700	0.6700	0.6700	0.6720

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sept.	0.6661	0.6671	0.6657	0.6654
Dec.	0.6709	0.6720	0.6707	0.6703
Mar.	—	0.6774	0.6768	0.6762
June	—	—	—	0.6830

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Sept.	0.5443	0.5457	0.5441	0.5455
Dec.	0.5485	0.5497	0.5485	0.5498
Mar.	—	—	—	0.5540

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	92.86	92.88	92.81	92.84
Dec.	92.56	92.58	92.52	92.55
Mar.	92.34	92.35	92.30	92.33
June	92.12	92.13	92.09	92.12
Sept.	91.93	91.93	91.88	91.92
Dec.	91.73	91.73	91.70	91.73
Mar.	91.53	91.53	91.50	91.53
June	91.34	91.34	91.31	91.34

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sept.	310.05	310.90	308.30	309.45
Dec.	312.55	313.30	310.50	311.85
Mar.	314.95	315.40	313.05	314.05
June	317.20	317.60	320.32	316.25

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6105	1.6075	1.6021	1.5942	1.5825

IMM—STERLING $s per £

	Latest	High	Low	Prev
Sept.	1.6065	1.6110	1.6060	1.6105
Dec.	1.5975	1.6025	1.5975	1.6020
Mar.	1.5920	—	1.5920	1.5975
June	1.5870	—	1.5870	1.5930

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept.	1.6071	1.6100	1.6100	1.6122
Dec.	1.5991	—	—	1.6045
Mar.	1.5918	—	—	1.5975

Estimated volume 5 (12)
Previous day's open int 848 (851)

MONEY MARKETS

London quiet and dull

TRADING WAS very quiet and dull on the London money market yesterday. Three-month interbank finished at 9⅛-9¹⁄₁₆ per cent, compared with 9¹⁄₁₆-8¹⁵⁄₁₆ per cent, but interest rates were generally little changed, as dealers saw no prospect of any early change in UK bank base rates.

There was also no lead from other financial markets, with gilts showing small losses, and sterling little changed.

UK clearing bank base lending rate 9 per cent since May 8

A rise of 1.2 per cent in May UK industrial production was higher than generally forecast, but had no impact.

Call money was as high as 9 per cent in the morning, but fell to 7½ per cent on the Bank of England's initial forecast of a flat credit position, declining to 7 per cent before lunch and to a low of 5 per cent. The Bank of England's flat forecast was later revised to a shortage of £100m. Total help of £100m was provided.

The authorities revised the forecast to £100m at noon, but did not operate in the market during the morning. In the afternoon the central bank bought £100m bank bills in band 2 at 8¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £87m, with the unwinding of repurchase agreements on bills absorbing £749m, and bank balances below target £95m.

These outweighed Exchequer transactions adding £920m to liquidity, and a fall in the note circulation of £30m. The surplus on Exchequer transactions largely reflected maturity of a gilt stock, but dealers also suggested that repayment of VAT to small business has contributed to the easier conditions so far this week.

Today is expected to be much shorter however, with forecasts in the market ranging up to about £1.5bn, mainly because of large payments of tobacco tax.

In New York the US Federal Reserve did not operate in the money market. The authorities have not carried out ay open market operations since the end of June. The willingness of the Federal Reserve to allow an easing of the Federal funds rate recently, without draining liquidity, has led to speculation about a slight easing of credit policy.

Federal funds opened easier yesterday at 6½ per cent, and declined to 6¹⁄₁₆ per cent, from Monday's average of around 6⁹⁄₁₆ per cent, but later firmed back to 6⅝ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 14) 3 months U.S. dollars		6 months U.S. dollars	
bid 6⅞	offer 7	bid 7	offer 7⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8¼
Broker loan rate	8-7¾
Fed. funds	6⅝
Fed funds at intervention	6¾

Treasury Bills and Bonds

One month	5.07	Three year	7.61
Two month	5.35	Four year	7.83
Three month	5.71	Five year	7.94
Six month	5.76	Seven year	8.18
One year	6.47	10 year	8.36
Two year	7.32	30 year	8.55

July 14	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.55-3.65	3.65-3.75	3.65-3.75	3.65-3.80	3.75-3.90	5.0
Paris	7½-7⅝	7⅝-7¾	7¾-7⅞	7¹³⁄₁₆-7¹⁵⁄₁₆	8¼-8⅜	7½
Zurich	⅞-1⅛	3⅛-3⅜	—	3⅝-3⅞	—	—
Amsterdam	4⅞-5	5⅛-5¼	—	5⅜-5½	—	—
Tokyo	3.15625	3.53125	—	3.71875	—	—
Milan	10⅛-10⅞	10½-11	—	10⅞-11⅛	—	—
Brussels	5.65	6⅛-6½	—	6½-6⅝	—	—
Dublin	N/A	9¼-9½	9⅜-9¹¹⁄₁₆	9½-9¾	10-10¼	—

LONDON MONEY RATES

July 14	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9-5	8⅞-8⅝	9-8⅞	9⅛-9¹⁄₁₆	9¼-9⅛	9⅜-9¼
Sterling CDs	—	—	8¹⁵⁄₁₆-8¹³⁄₁₆	9¹⁄₁₆-8¹⁵⁄₁₆	9⅛-9	9¼-9³⁄₁₆
Local Auth'rity Deps.	8⅞	8⅝	8⅞	9	9⅛	9¼
Local Authority Bonds	—	—	9¼	9¼	9⅜	9⅜
Discount Mkt Deps.	8½-6½	8¾	8¾	8½	—	—
Company Deposits	9⅛	9⅛	9⅛-9	9⅛	9¼	9⅜
Finance House Deposits	—	—	8⅞	9	9⅛	9¼
Treasury Bills (Buy)	—	—	8¹¹⁄₁₆	8¾	—	—
Bank Bills (Buy)	—	—	8⅞	8¹³⁄₁₆	8¹³⁄₁₆	—
Fine Trade Bills (Buy)	—	—	9½	9⅛	9⅛	9⅜
Dollar CDs	—	—	6.8-6.75	6.85-6.80	7.00-6.95	7.35-7.30
SDR Linked Deposits	—	—	5¹³⁄₁₆-5¹¹⁄₁₆	6⅛-5¹⁵⁄₁₆	6⅛-6¹⁄₁₆	6⅜-6¼
ECU Linked Deposits	—	—	6⅝-6½	6¹³⁄₁₆-6¹¹⁄₁₆	6¹⁵⁄₁₆-6¹³⁄₁₆	7⅛-7

Treasury Bills (sell); one-month 8⁹⁄₁₆ per cent; three-months 8⅝ per cent; Bank Bills (sell): one-month 8¹¹⁄₁₆ per cent; three months 8⅝ per cent; Treasury Bills, Average tender rate of discount 8.7974 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1987. Agreed rates for period July 26 to August 25, 1987, Scheme I: 10.47 p.c., Schemes II & III: 10.17 p.c. Reference rate for period May 30 to June 30, 1987, Scheme IV: 8.940 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9 per cent from July 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¼ per cent; three-six months 9 per cent, six-nine months 9⅛ per cent, nine-12 months 9⅛ per cent; Under £100,000 8 per cent from July 14, Deposits withdrawn for cash 5 per cent.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 13 1987					FRIDAY JULY 10 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (95)	146.86	+2.3	134.61	135.87	2.86	143.53	131.84	134.72	146.86	99.92	76.90
Austria (16)	86.66	+0.3	79.43	82.96	2.48	86.40	79.37	82.64	101.62	85.53	86.14
Belgium (48)	125.12	−0.2	114.68	118.33	4.04	125.38	115.17	118.73	126.49	96.19	81.80
Canada (132)	136.29	+0.2	124.92	130.27	2.16	136.03	124.95	130.17	136.49	100.00	97.01
Denmark (39)	115.21	+0.4	105.60	109.53	2.53	114.71	105.37	109.21	124.10	98.18	92.59
France (121)	109.90	+0.2	100.74	105.72	2.67	109.64	100.71	105.72	121.82	98.39	87.15
West Germany (92)	96.68	+0.6	88.62	92.61	2.04	96.14	88.31	92.21	100.33	84.00	82.23
Hong Kong (45)	128.24	+0.2	117.55	128.57	2.81	127.98	117.56	128.29	128.88	96.89	69.84
Ireland (14)	144.32	+2.4	132.28	139.77	3.20	140.97	129.49	136.80	144.32	99.50	91.08
Italy (76)	94.13	−0.6	86.27	93.77	1.93	94.71	87.00	94.57	112.11	94.13	80.85
Japan (458)	134.50	−0.1	123.28	128.33	0.53	134.69	123.73	128.27	161.28	100.00	85.21
Malaysia (36)	185.02	+1.4	169.59	180.91	2.07	182.52	167.66	178.49	185.02	98.24	80.64
Mexico (14)	278.84	+1.6	255.58	417.36	0.72	274.44	252.09	410.33	278.84	99.72	50.06
Netherland (38)	125.97	+0.3	115.47	119.28	3.70	125.64	115.41	119.10	126.69	99.65	90.20
New Zealand (26)	105.38	+1.2	96.59	92.78	3.05	104.13	95.65	92.06	105.38	83.93	71.19
Norway (24)	147.59	+0.3	135.28	134.87	2.02	147.09	135.11	134.56	148.16	100.00	97.00
Singapore (27)	157.91	+0.9	144.74	154.49	1.59	156.58	143.83	153.19	157.91	99.29	78.24
South Africa (61)	168.98	−1.1	154.89	124.19	3.37	170.85	156.94	123.48	186.74	100.00	72.30
Spain (43)	126.04	+0.6	115.52	121.17	3.29	125.30	115.10	120.70	126.09	100.00	82.89
Sweden (33)	118.39	+0.5	108.51	112.56	2.06	117.75	108.16	111.91	124.68	90.85	91.29
Switzerland (53)	98.20	+0.2	90.01	93.52	1.81	98.02	90.04	93.61	104.06	92.01	83.92
United Kingdom (336)	157.80	+0.5	144.64	144.64	3.00	156.96	144.18	144.18	157.80	99.65	96.23
USA (591)	125.62	−0.2	115.14	125.62	2.89	125.90	115.64	125.90	126.68	100.00	99.68
Europe (933)	125.48	+0.4	115.02	118.09	2.75	125.00	114.83	117.87	125.48	99.78	88.78
Pacific Basin (687)	134.74	+0.0	123.50	128.54	0.70	134.77	123.80	128.41	158.77	100.00	84.39
Euro—Pacific (1620)	131.09	+0.1	120.16	124.35	1.48	130.92	120.26	124.18	143.65	100.00	86.13
North America (723)	126.20	−0.2	115.67	125.91	2.85	126.44	116.14	126.16	126.70	100.00	99.54
Europe Ex. UK (597)	105.41	+0.2	96.62	101.43	2.51	105.17	96.61	101.37	107.75	98.02	84.30
Pacific Ex. Japan (229)	137.78	+1.5	126.29	130.84	2.76	135.79	124.74	129.97	137.78	99.92	74.14
World Ex. US (1827)	131.78	+0.1	120.79	124.76	1.53	131.62	120.91	124.58	143.38	100.00	86.33
World Ex. UK (2082)	126.57	−0.1	116.01	123.25	1.93	126.66	116.35	123.29	133.61	100.00	91.12
World Ex. So. Af. (2357)	129.09	+0.0	118.32	125.20	2.03	129.09	118.58	125.20	135.02	100.00	91.67
World Ex. Japan (1960)	126.92	+0.1	116.33	123.70	2.81	126.84	116.51	123.72	126.92	100.00	94.58
The World Index (2418)	129.34	+0.0	118.56	125.23	2.05	129.35	118.82	125.22	135.15	100.00	91.55

Base values: Dec 31, 1986 = 100

Latest prices were unavailable for this edition.

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$480	120	3.50	21	13	—	—	$446.90
GOLD C	$500	44	1.90	10	9.50B	4	14.90	"
GOLD P	$370	—	—	400	0.80	—	—	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$600	—	—	—	—	12	240	$764
SILVER C	$850	—	—	25	70	—	—	"
SILVER C	$900	6	21	—	—	—	—	"
		Jul 87		Aug 87		Sep 87		
$/Fl. C	Fl.200	10	7.50	1	7.40	10	7.50	Fl.207.90
$/Fl. C	Fl.205	35	2.50	—	—	48	4	"
$/Fl. C	Fl.210	1	0.20	—	—	9	1.70B	"
$/Fl. C	Fl.215	—	—	—	—	2	1.10	"
$/Fl. P	Fl.200	—	—	—	—	5	0.85	"
$/Fl. P	Fl.205	50	0.30	50	1.50	1	2.30	"
		Dec 87		Mar 88		June 88		
$/Fl. C	Fl.195	—	—	8	13	2	13.30	Fl.207.90
$/Fl. C	Fl.205	2	5.90	2	7	—	—	"
$/Fl. C	Fl.210	10	3.60	2	5	—	—	"
$/Fl. C	Fl.215	—	—	14	3.50	2	4.40	"
$/Fl. C	Fl.220	10	1.10	—	—	—	—	"
$/Fl. P	Fl.195	20	1.40	30	2.80	—	—	"
$/Fl. P	Fl.200	—	—	—	—	12	6.50	"

		July 87		Oct 87		Jan 88		
ABN C	Fl.520	—	—	234	4.50	3	10.50	Fl.477
ABN P	Fl.480	54	4	13	18.50	5	23	"
AEGON C	Fl.95	155	0.30	243	4	7	6.40	Fl.93.30
AEGON P	Fl.95	63	1.60	28	5	—3	—	"
AHOLD C	Fl.100	63	6.50	23	9.10	—	—	Fl.105.90
AHOLD C	Fl.100	63	6.50	—	—	—	—	"
AHOLD P	Fl.104.60	1	0.60A	10	4.30	—	—	"
AKZO C	Fl.170	1029	3.70	1146	12	243	15.70	Fl.172.20
AKZO P	Fl.170	82	1.40	520	6.70	41	9	"
AMEV C	Fl.70	—	—	107	1.20	15	1.60	Fl.60.90
AMEV P	Fl.65	148	4.20	128	5.30	14	6.40	"
AMRO C	Fl.80	—	—	92	2.20	2	4	Fl.76.50
AMRO P	Fl.75	9	0.30	167	2.90	25	4	"
ELSVIER C	Fl.60	—	—	422	2.70	27	4.20	Fl.56.80
ELSVIER P	Fl.54	—	—	105	2.80	—	—	"
GIST-BROC. C	Fl.45	843	4	323	5.50	3	7.10	Fl.49
GIST-BROC. P	Fl.50	4	2	147	3	15	3.50	"
HEINEKEN C	Fl.190	392	0.70	764	9.50	25	10.50	Fl.185.80
HEINEKEN P	Fl.180	5	0.50	45	3.50	1	6.50A	"
HOOGOVENS C	Fl.45	527	2.90	179	5.70	36	7	Fl.47.70
HOOGOVENS P	Fl.40	—	—	148	1.30	25	1.90	"
KLM C	Fl.55	693	0.60	1141	2.80	153	4	Fl.54.30
KLM P	Fl.50	22	0.10	273	1.50	12	2.50	"
NEDLLOYD C	Fl.150	—	—	48	5.20	—	—	Fl.140.50
NEDLLOYD P	Fl.130	8	0.10	67	3.50	30	5.50	"
NAT NED. C	Fl.75	33	0.10	422	2.90	2	4.50	Fl.72.60
NAT.NED. P	Fl.70	15	0.20	157	2.50	—	—	"
PHILIPS C	Fl.50	3972	5	1133	6.80	185	7.90	Fl.55
PHILIPS P	*Fl.50*	*1602*	*0.10*	225	1.30	106	2	"
ROYAL DUTCH C	Fl.280	644	4.50B	712	12	54	16.50	Fl.283.90
ROYAL DUTCH P	Fl.280	317	0.80	526	8.30	66	10.20	"
ROBECO C	Fl.110	—	—	5	1.90	5	3	Fl.107
UNILEVER C	Fl.140	2601	1.60	897	7.40	255	9.80	Fl.140.40
UNILEVER P	Fl.140	25	1.10	417	5	110	7	"

TOTAL VOLUME IN CONTRACTS: 72,848

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%
ABN Bank	9
Adam & Company	9
Allied Arab Bk Ltd	9
Allied Dunbar & Co	9
Allied Irish Bank	9
American Exp. Bk	9
Amro Bank	9
Henry Ansbacher	9
ANZ Banking Group	9
Associates Cap Corp	9
Authority & Co Ltd	9
Banco de Bilbao	9
Bank Hapoalim	9
Bank Leumi (UK)	9
Bank Credit & Comm	9
Bank of Cyprus	9
Bank of Ireland	9
Bank of India	9
Bank of Scotland	9
Banque Belge Ltd	9
Barclays Bank	9
Benchmark Tst Ltd	9
Beneficial Trust Ltd	10
Berliner Bank AG	9
Brit Bk of Mid East	9
● Brown Shipley	9
Business Mtge Tst	9
CL Bank Nederland	9
Canada Permanent	9
Cayzer Ltd	9
● Charterhouse Bank	9
Citibank NA	9
City Merchants Bank	9
Clydesdale Bank	9
Comm. Bk. N. East	9
Consolidated Cred	9
Co-operative Bank	*9
Cyprus Popular Bk	9
Duncan Lawrie	9
Equatorial Tst Corp plc	9
Exeter Trust Ltd	9½
Financial & Gen. Sec	9
First Nat. Fin. Corp	10
First Nat. Sec. Ltd	10
● Robert Fleming & Co	9
Robert Fraser & Ptrs	10
Girobank	9
Grindlays Bank	‡9
● Guinness Mahon	9
HFC Trust & Savings	9
● Hambros Bank	9
Heritable & Gen. Tst	9
● Hill Samuel	§9
C. Hoare & Co	9
Hongkong & Shangh	9
Lloyds Bank	9
Meghraj & Sons Ltd	9
Midland Bank	9
● Morgan Grenfell	9
Mount Credit Corp. Ltd	9
Nat Bk. of Kuwait	9
NatWestminster	9
Northern Bank Ltd	9
Norwich Gen. Trust	9
PK Finans Intl (UK)	9½
Provincial Trust Ltd	10
R. Raphael & Sons	9
Roxburghe G'antee	9½
Royal Bk of Scotland	9
Royal Trust Bank	9
Smith & Williamson Secs	9
Standard Chartered	9
TSB	9
UDT Mortgage Exp	¶11
United Bk of Kuwait	9
United Mizrahi Bank	9
Unity Trust PLC	9
Western Trust	9
Westpac Bank. Corp	9
Whiteaway Laidlaw	9½
Yorkshire Bank	9

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

Owing to errors in earlier editions, the week's Financial Diary is repeated below.

WEDNESDAY JULY 15

COMPANY MEETINGS—
British Land, Mayfair Hotel, Stratton Street, W. 12.00
Carless Capel and Leonard, Connaught Rooms, Great Queen Street, WC. 10.30
Cater Allen, 1 King William Street, EC. 12.30
Foster (John), and Son, Black Dyke Mills, Queensbury, Bradford, 12.30
Henderson Administration, 28 Finsbury Square, EC. 12.00
Hille Ergonom, 369 Euston Road, NW. 2.30
London Trust, Savoy Hotel, Strand, WC. 12.00
New Throgmorton Trust (1983), Armoury House, City Road, EC. 12.30
Powell Duffryn, Waldorf Hotel, Aldwych, WC. 12.00
Regalian Props, Ironmongers' Hall, Aldersgate Street, Barbican, EC. 2.30
Unilock London Press Centre, New Street Square, EC. 12.00

BOARD MEETINGS—
Finals:
Authority Invs
Bulmer (H. P.)
Dixons
Craig Shipping
MS Intnl
Michael (John) Design
Parkfield
Tops Estates
Wyko
Interims:
Airtours
Eurotherm Intnl
March
Trust of Property Shares
Union Discount

DIVIDEND & INTEREST PAYMENT—
Abbey National Bldg Soc Fltg Rate Nts £249.32
Agricultural Mortgage Corp. 6¼pc Db 1992-94 3⅛pc. 5½pc Db 1993-95 2¾pc
Allied Irish Banks 6.25p
American Medican Int 9⅞pcLn 2011 4¹⁵⁄₁₆pc
Arbuthnot Govt Securities Tst Inc Ptg Red Pf 2.5p
Assoc Electrical Inds 6¼pcDb 1986-91 3⅛pc
Bank of New York O'seas Finance NV Gtd Fltg Rate Sub Nts Jan 1996 $175.36
Barclays Bank 12pcLn 2010 6pc
Barings BV Gtd Fltg Rate Cap Nts 2001 (Family Tuan Invs) $320.52
Bell Canada Enterprises 60 cts
Cakebread Robey 3p. A Non Voting 3p
Churchbury Estates 4.2pcPf 2.1p
Chrysler Corp 25 cts
Citicorp Overseas Finance Corp NV Gtd Fltg Rate Nts 1982 $170.63
Cosalt 10pcLn 1983-88 5pc
Crowther (John) 2.5p
Delmar 2.15p
Edinburgh Invst Tst 3½pcDb 1998 1¾pc
External Invst Tst 10.5p
Foster (John) and Son 2.5p
Govett Strategic Invst Tst 10¼pcDb 2016 5⅛pc
Howard and Wyndham 18pcLn 1976-91 9pc
Lep 2.25p
Ley's Foundries and Engineering 6pcPf 2.1p
London and Scottish Marine Oil 9⅝pc Red Pf 4.8125p
Lucas Inds 10¾pcLn 1992-97 5⅜pc
MandG Dividend Fund 7.6p
Morgan (J. P.) 34 cts
Motorola 16 cts
Murray Int 3.9pcPf 1.95p, 6pcDb 1983-88 3pc
Nationwide Bldg Soc Fltg Rate Nts 1996 £124.74
North Surrey Water 4pcDb 2pc. 4½pcDb 2¼pc. 5¼pcDb 2⅝pc. 7¼pcDb 1991-93 3⅝pc
Occidental Petroleum 62.5 cts
Pacific Gas and Electric 48 cts
Philcom 8pcPf 4p
Premier Group 69 cts. Pf 67.5 cts. Fltg Rate Nts 1989 $209.24
Quaker Oats 20 cts
Quebec Central Railway Cap 2.5pc
Robinson (Thoms) 7pcPf 3.5p
Saul (B. F.) Real Estate Invst Tst 5 cts
Sweden (Kingdom of) 11pcLn 2012 (Reg) 5½pc
TR Indl and General Tst 4¼pcDb 2⅛pc
Treasury 13pc 1990 6½pc. 9½pcLn 1999 4¾pc
Upton (E.) and Sons 10pcLn 1990 5pc
Wells Fargo Fltg Rate Sub Nts July 1997 $180.1
Witan Invst 3.4pcPf 1.7p
Zentralsparkasse und Kommerzialbank Wien Fltg Rate Sub Nts $161.83

THURSDAY JULY 16

COMPANY MEETINGS—
Brown Shipley, Founders Court, Lothbury, EC. 12.30

BOARD MEETINGS—
Finals:
Israel (Jack L.)
Jones Stroud
Interims:
Dewhurst
Jersey Electricity
Kershaw (A.)
Rank Organisation
River & Mercantile Tst
Scottish Mortgage & Tst

DIVIDEND & INTEREST PAYMENTS—
Anglo and Overseas Tst 4½pcPf 1.575p
Barker and Dobson 1p
Beradin 0.6p
European Inv Bank 9pcLn 2001 (Reg) 4½pc
General Mining Union Corp 6pcPf 6 cts
Hill Samuel Fltg Rate Nts 2016 $336.23
Lendu 1.3p
MandG Second Dual Tst 6.45p
Moran Tea 10p
New Throgmorton Tst (1983) 3.35p
Northern Ind Improv Tst 5p
Treasury 8½pcLn 2007 4¼pc
Unigate 7p

FRIDAY JULY 17

COMPANY MEETINGS—
Ferguson Indl, Appleby Grammar School, Appleby, Cumbria, 11.30
GT Global Recovery Invst Tst, 8 Devonshire Square, EC. 12.30
Personal Assets Tst, 1 Charlotte Square, Edinburgh, 12.30

BOARD MEETINGS—
Finals:
Apple Holographics
Atlantic Assets Tst
Bristol Channel Ship Repairers
Independent Inv
Mountview Estates
Park Food
Thorpac
Interims:
Anglo and Overseas Tst
Greenfriar Inv
Tribune Inv Tst

DIVIDEND & INTEREST PAYMENTS—
British-Borneo Petrol Syndicate 13.5p
Burmah Oil 9.5p
Falcon Mines Z50.5
First Union General Invst Tst 10 cts
Gartmore American Securities 0.8p
Godwin Warren Control Systems 1.1p
Headlam, Sims and Coggins 0.5p
Hill Samuel 11p
McInerney Props 1r4p
Marks and Spencer 3.1p
Plaxtons (GB) 1.5p
Sainsbury (J.) 4.95p
Sangers Photographics 1.6p
TR North American Invst Tst 1.5p
Treasury 2½pc I-L 2024 1⅛pc
Tunstall 1p
Yorkshire TV 3p

SATURDAY JULY 18

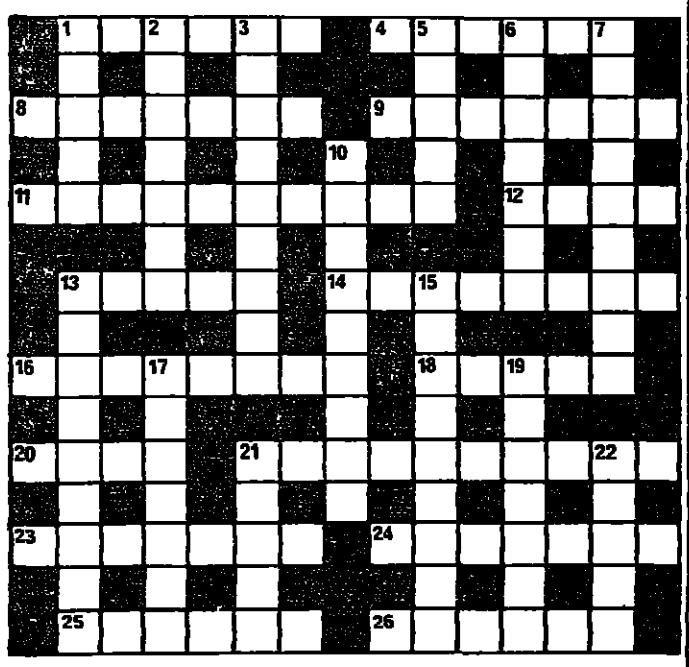
DIVIDEND & INTEREST PAYMENTS—
Deritend Stamping 6.3p

SUNDAY JULY 19

DIVIDEND & INTEREST PAYMENTS—
Exchequer 9¼pc 1998 4⅞pc
Treasury 2pc I-L 2006 £1.42

FT CROSSWORD PUZZLE No. 6,378

GRIFFIN



In this puzzle 17 clues are normal. The remaining 12 have no definitions but the answers are all of a kind.

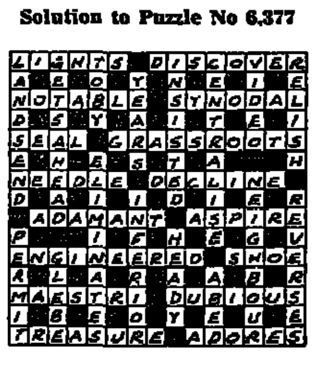
ACROSS

1 Is able to double (6)
4 Wager everything is included (6)
8 Dog holding on to line provided by cartographer (7)
9 Doctors dealing with abscesses? (7)
11 Prince put on weight (10)
12 Bond and the ringleader row (4)
13 It's turned out OK, pal! (5)
14 Redhead in a good woolly (8)
16 *One not commissioned to follow lover (8)*
18 Firm backing her new colour (5)
20 Only student less than 10 stone (4)
21 Beethoven's Fourth Alan later transposed (10)
23 Obligatory book cover (7)
24 A continental touch, perhaps, but lacking grace (7)
25 Use detailed polymer production (6)
26 Smell fish dropped behind music centre (6)

DOWN

1 Clergy taking collection in church (5)
2 Unaffected when outside city of birth (7)
3 Suffering, being keen on French bread? (5, 4)
5 Besides making a profit (5)
6 Found new coat and was first outside (7)
7 A little after time (9)
10 Jack's right (9)
13 Balance includes free loan (9)
15 Giving rude grunt, undo plant (9)
17 Associate due to arrange parking gets confused (5, 2)
19 Admit having weeded first (7)
21 *Brown and green light (5)*
22 Lock key inside something long and thin (5)

Solution to Puzzle No 6,377



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS — 01-280 2860

American Growth	110.8	117.2	-0.7	0.71
(Accum Units)	116.1	122.8	-0.7	0.71
British Blue Chip Fund	54.3	57.4	-0.3	2.14
(Accum Units)	54.3	57.4	-0.3	2.14
American Sm Cos Fd	52.2	55.2	-0.3	0.45
(Accum Units)	52.2	55.2	-0.3	0.45
American Income	51.5	54.4	-0.2	3.63
(Accum Units)	56.1	59.3	-0.2	3.63
European Growth	147.0	155.5	+0.4	1.27
(Accum Units)	152.1	160.9	+0.4	1.27
European Income	81.0	85.7xd	+0.2	3.94
(Accum Units)	84.9	89.8xd	+0.2	3.94
General	395.1	418.0	+0.8	2.46
(Accum Units)	656.2	694.3	+1.4	2.46
Gilt	89.0	89.4xd	+0.2	7.74
(Accum Units)	105.9	106.4xd	+0.3	7.47
Global Fund	50.2	53.1	-0.4	0.67
(Accum Units)	50.2	53.1	-0.4	0.67
High Interest Fund	47.7	50.4xd	+0.1	8.97
(Accum Units)	48.1	50.8xd	+0.1	8.97
High Income Fund	55.0	58.2	-0.1	4.48
(Accum Units)	55.5	58.7	-0.1	4.48
Income	130.4	137.9xd	+1.3	2.95
(Accum Units)	149.5	158.1xd	+1.5	2.95
International	294.1	311.2xd	-1.5	1.17
(Accum Units)	368.0	389.4xd	-1.8	1.17
Japan	199.4	211.0	-1.4	0.52
(Accum Units)	204.6	216.5	-1.5	0.52
Pacific Fd	56.2	59.4xd	-0.1	0.10
(Accum Units)	56.2	59.4xd	-0.1	0.10
Recovery	325.6	344.5	-0.2	1.54
(Accum Units)	354.0	374.6	-0.2	1.54
UK Smaller Co's Fd	55.4	58.6	+0.1	1.69
(Accum Units)	55.4	58.6	+0.1	1.69
Exempt May 27	371.9	381.4	+4.8	2.18
(Accum Units)	582.6	597.5	+7.6	2.18

Metropolitan Unit Trust Mngrs Ltd
5 Darkes Lane, Potters Bar EN6 1AJ. — 0707 45184

UK Income Fund	63.9	67.9	-0.1	4.42
Accum Units	63.9	67.9	-0.1	4.42
UK Growth Fund Acc	65.4	69.5	-0.3	1.44
Global Income Fund	49.7	52.8	—	3.79
Accum Units	49.7	52.8	—	3.79
Global Growth Fund	45.8	48.8	-0.2	0.51

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St. Head, Sheffield S1 3RD

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL — 01-478 3377
Holborn LeaLine 0800 010345

Holborn Comm Tst	81.2	85.9	+0.3	0.36
Holborn Equity Income	75.5	77.8	+0.1	3.22
Holborn Equity Tst	616.7	652.5	-1.8	2.27
Holborn European Tst	117.4	124.2xd	—	0.67
Holborn Gilt Tst	216.0	225.2	+0.2	2.11
Holborn High Inc Tst	91.1	96.4xd	+0.3	4.48
Holborn Ind Grn Tst	119.4	126.3xd	-0.6	6.99
Holborn Japanese Tst	123.9	131.1	-0.1	0.04
Holborn N. Amer. Tst	93.8	99.2	-0.1	4.99
Holborn Sm Cos Tst	81.9	86.6	+0.1	1.34
Holborn Spec Sits Tst	106.9	113.1xd	+0.2	1.29
Holborn UK Growth Tst	121.8	128.8	-1.1	1.45

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 — 01-600 4177

Quadrant Gen. Fd	692.5	732.9	—	1.94
Quadrant Income	339.8	359.4xd	—	4.00
Quadrant Intl. Fund	451.2	477.5	—	1.04
Quadrant Spec. Sits	463.3	490.3	—	1.34

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent — 0892 510033

British Life	253.8	269.9	+0.9	2.13
Reliance Unit Tst (Inc)	175.9	187.1	+2.9	1.75
Reliance Ut Tst (Acc)	236.8	251.8	+3.4	1.73

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. — 051-227 2030

Internat. Growth Trust	49.6	52.8	-0.1	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 — 01-634 2980/4

NC America (Inc)	329.8	350.8	—	0.78
NC America (Acc)	360.2	383.1	—	0.78
NC Inc Fd.	132.8	141.2	—	2.67
NC Japan Fd.	191.8	204.0	—	—
NC Major UK Cos Fd	74.9	79.4xd	—	1.51
NC Smlr Australasian	90.9	96.6	—	0.48
NC Smlr Canadian CoFd.	48.8	51.9	—	0.98
NC Smaller Cos	248.4	264.2	—	0.87
NC Smaller European	194.1	206.4	—	0.46
NC Prop.*	157.2	171.6	—	(z)

*Unauthorised Unit Trusts

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

Managed	453 6	477 5		
Property	28[illegible] 3	295 1		
Equity	584 7	615 5		
Gilt Edged	368 0	387 4		
Deposit	204 3	215 1		
Investment	250 0	262 5		
International	418 3	440 3		

Pension Fund Prices

Managed Init.	332 6		
Do. Accum.	406 3		
Property Init.	242 8		
Do. Accum.	296 9		
Equity Init.	447 1		
Do. Accum.	546 0		
Gilt-Edged Init.	235 5		
Do. Accum.	288 0		
Guaranteed Init.	157 7		
Do. Accum.	193 0		
International Init.	5[illegible]8		
Do. Accum.	611 9		
Index Lk. Gilt Init.	136 7		
Do. Accum.	167 1		

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	301 5	+0 0	—
Property Pens.	398 0	+0 1	—
Equity	213 4	+2 9	—
Equity Pens.	959 2	+5 5	—
Money Market	315 0	+0 3	—
Money Mkt. Pens.	564 8	+0 7	—
Deposit	236 6	+0 1	—
Deposit Pens.	376 5	+0 2	—
Managed	304 5	+1 1	—
Managed Pens.	590 2	+2 9	—
Intl. Equity	349 3	+0 6	—
Do. Pens.	564 1	+1 4	—
Intl. Managed	323 5	+0 8	—
Do Pens.	433 7	+1 5	—
North American	131 6	-0 4	—
Do. Pens.	150 6	-0 6	—
Far East	236 3	+0 3	—
Do Pens.	417 4	+0 5	—
Intnl Currency	174 9	+0 1	—
Do. Pens.	232 7	+0 1	—
Index Linked	133 2	-0 1	—
S & C Managed Fd	146 3	+0 6	—

National Provident Inst.—Contd.

Far East Initial	471 7	496 6	-2 8	
Far East	563 8	593 5	-3 3	
Prop. Initial	139 9	147 3		
Prop.	167 2	176 1	-0 1	
Fixed Int. Initial	190 7	200 9	+0 3	
Fixed Int.	228 0	240 0	+0 4	—
Indexed Gilt Initial	104 5	110 0	+0 5	—
Indexed Gilt	123 6	130 2	+0 6	—
Deposit Initial	134 5	141 6		—
Deposit	162 4	171 0	+0.1	—
NPI Pensions Management Ltd				
Managed Fund	952 2	967 2		

Prices July 1. Next dealing August 3.

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds

Managed Fund	58 4	61.5	-0.1	—
Stock Market Mngd Fund	60 0	63 2	-0.2	—
Equity Fund	67.0	70 6	-0.3	—
International Fund	53 8	56 7	-0.1	—
European Fund	57 2	60 3	+0.1	—
North American Fund	50 5	53 2	-0.1	—
Pacific Fund	61.5	64 8	-0.5	—
Property Fund	50 7	53 4		—
Fixed Interest Fund	50 7	53 4	+0 1	—
Index linked Sec Fund	46.2	48 7	+0.2	—
Deposit Fund	50.8	53 5	—	—

NUAM Retirement Plans

Mixed Fund	63.2	66 6	+0.2	—
UK Ordinary Share	78 1	82 3	+0.5	—
International Fund	55.5	58 5	...	—
Property Fund	51.6	54 4		—
Fixed Interest Fund	52 4	55 3	+0.2	—
Index Linked Sec Fund	46.1	48.6	—	—
Deposit Fund	52.6	55 4	—	—

NUAM (NF)

Managed Fund	800.2	842 4	-2.0	—
Equity Fund	1792.4	1886 8	-7.8	—
Property Fund	315 4	332 0		—
Fixed Interest Fund	373 7	393 4	+0 9	—
Deposit Fund	207 2	218 2	+0.2	—
International Fund	139 7	149 1	-0.3	—
Index Linked Sec Fund	46.37	48.8	+0.2	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
101⅞	100[illegible]	Treas. 12pc 1987	100[illegible]	.....	11.91	6.98
99[illegible]	97[illegible]	Treas 7¾pc 1985-88‡‡	99[illegible]	+[illegible]	7.77	8.20
102¼	99[illegible]	Exch 10½pc '88	101[illegible]	...	10.39	9.10
101[illegible]	98[illegible]	Treas 9¾pc Cv '88	100[illegible]	.....	9.70	9.05
97[illegible]	93[illegible]	Transport 3pc '78-88	97[illegible]	+⅛	3.09	6.24
101⅝	98[illegible]	Treas. 9½pc '89	100[illegible]	.....	9.46	9.10
105[illegible]	101[illegible]	Treas 11½pc 1989	103[illegible]	.....	11.11	9.10
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	100[illegible]	+[illegible]	9.44	9.08
94[illegible]	89¼	Treas 3pc 1989	94[illegible]	+[illegible]	3.18	6.32
104[illegible]	99[illegible]	Treas 10½pc 1989	102[illegible]	+[illegible]	10.25	9.08
103[illegible]	98½	Exch 10pc 1989	101[illegible]	.....	9.84	9.10
105¼	100[illegible]	Exch 11pc 1989	103[illegible]	.....	10.62	9.13
95[illegible]	89[illegible]	Treas 5pc 1986-89	95[illegible]	+[illegible]	5.26	7.36
108[illegible]	100¼	Exch 10¼pc Cv '89	104[illegible]	−[illegible]	9.79	7.99
111[illegible]	105[illegible]	Treas 13pc 1990‡‡	108[illegible]	.....	11.98	9.07
106[illegible]	100[illegible]	Exch 11pc 1990‡‡	104¼	−[illegible]	10.55	9.08
110[illegible]	104[illegible]	Exch. 12½pc 1990	107[illegible]	.....	11.60	9.14
91[illegible]	84½	Treas 3pc 1990	91[illegible]	+[illegible]	3.28	6.36
100[illegible]	93[illegible]	Treas 8¼pc 1987-90‡‡	98[illegible]	+[illegible]	8.34	8.66
105	97½	Treas. 10pc Cv 1990	102[illegible]	−[illegible]	9.78	9.16
89[illegible]	81[illegible]	Exch 2½pc 1990	89	+[illegible]	2.81	6.19
110⅝	103¼	Treas 11¾pc 1991	107⅝	−[illegible]	10.92	9.13
95[illegible]	87¼	Funding 5¾pc '87-91‡‡	93⅝	+[illegible]	6.17	7.87
89[illegible]	80¼	Treas. 3pc 1991	88[illegible]	+[illegible]	3.40	6.47
110⅛	100[illegible]	Treas 10pc Cv '91‡‡	105[illegible]	+[illegible]	9.48	8.35
109⅝	101⅝	Exch. 11pc 1991	106[illegible]	−[illegible]	10.33	9.12
116[illegible]	108[illegible]	Treas 12¾pc 1992‡‡	113[illegible]	−[illegible]	11.25	9.08
106[illegible]	97[illegible]	Treas 10pc 1992	103[illegible]	−[illegible]	9.68	9.09
99½	95⅝	Treas. 8pc 1992‡‡	96⅛	+[illegible]	8.15	8.47
108[illegible]	99[illegible]	Treas 10½pc Cv 1992‡‡	105⅜	−[illegible]	9.96	9.08
		Treasury 3pc 1992 ●	85½	.....	3.51	6.49
		Five to Fifteen Years				
115⅞	106⅛	Exch. 12¼pc '92	112¼	.....	10.91	9.19
121[illegible]	111¼	Exch 13½pc 1992	117¼	−[illegible]	11.52	9.22

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

Over Fifteen Years

Undated

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30¾	22⅞	Sara Lee $1	27¼c	−½	$2.00	—	2.2
11⅛	8⅞	Saul (B. F.) $1	10½c	−¼	20c	—	1.2
26¼	19⅝	Southwestern Bell $1	22⅝c	−½	k$2.32	—	6.3
18⅞	14¼	Staley Continental	17¼	....	60c	—	2.8
44⅛	30¾	Sun Co. Inc. $1	41½c	−⅛	$3.00	—	4.4
37	28½	TRW Inc. $1¼	32¾	−⅛	k$1.60	—	3.0
32	25⅝	Tenneco $5	31⅛	−⅛	$3.04	—	5.9
187½	149½	Do. 10%Ln.Stk. 91-5	187½c	....	10%	—	5.5
28⅛	17⅛	Texaco $6.25	27¼c	−⅛	$3.00	—	6.7
62	47⅝	Time Inc. $1	62⅛	−⅝	$1.00	—	1.0
14½	11	Tracor $0.33	12⅝	−¼	40c	—	2.0
26⅝	18⅝	Transamerica $1	25⅝	−⅛	$1.76	—	4.2
12¼	922p	Transworld Corp $5	11⅝	−¼	20c	—	1.1
46	29¾	TRINOVA Corp.	45⅛	+¼	r$1.00	—	1.5
22⅛	15⅛	♦USX $1	22⅛		$1.20	—	3.3
19⅝	15⅛	Union Carbide $1	18⅝	−⅛	$1.50	—	5.0
35⅛	26⅞	Utd. Technologies	33¼	−⅛	$1.40	—	2.6
38⅞	27	US West	31⅝	−¼	$3.28	—	6.4
25	17⅝	Waste Management $1	25⅛	−⅛	—	—	—
£22¼	£20½	Whirlpool $1.0	£22¼	−¼	—	—	—
35⅝	26	♦Woolworth $3½	33½	−¼	$1.32	—	2.6

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21p	10p	♦Abbot Energy Corp.	21p	....	—	—	—
12⅝	560p	♦Amer Barrick Res.	11½c	....	—	—	—
122p	52p	Armiers	77p	....	—	—	—
19⅝	14⅝	Bk. Montreal $1	16⅛	+⅛	$2.00	—	5.6
10½	745p	Bk. Nova Scotia	869p	+6	72c	—	3.8
20⅝	18	BCE II	19¼		$2.40	—	5.6
987p	712p	♦Bow Valley	981p	−5	40c	—	1.9
19¼	12⅞	♦Brascan	18¼	−⅛	88c	—	2.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

مكتا منه الأصل

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
140	84	Anglo-Dominion	106		—	—	—
90	21	♥Coby Res Corp	54		—	—	—
*295	127	Con. Murch. 10c	278xd		Q56c	4.4	6.7
*70½	37½	♥Ennex Int. Ir10p	58	−1	—	—	—
318	151	Greenwich Res	284	+10	—	—	—
£12⅞	963	Hemlo Gold Mines	£11⅛		—	—	—
355	189	♥Highwood Res	241	−5	—	—	—
£25⅞	£16⅝	Homestake Mining $1	£22¼	+¼	Q20c	—	0.5
442	150	♥McFinley Red Lake	405	+6	—	—	—
166	86	♥Musto Explorations	120		—	—	—
103	37½	♥New Sabina Res C$1	103	+2	—	—	—
580	200	Northgate C$1	552	+7	—	—	—
237	104	Nor-Quest Resources	180		—	—	—
£12⅛	698	RTZ	£12⅛	+⅛	23.5	2.7	2.7
£359¾	£113¾	Do 9½pcLn '95-2000	£247	+4¼	Q9½%	37.5	3.9

THIRD MARKET

1987 High	1987 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
485	180	Abelscot Group 10p	475	.....	3.5	2.7	1.0	51.1
35	28	Aberdeen Am Pet 10p	33	.....	—	—	—	—
125	110	Allied Ins. Brokers	120	.....	L3.5	2.5	4.1	13.9
83	78	Amercoew Energy 10p	83	.....	—	—	—	—
15½	9	Ardmore Pet. 'A'	12		—	—	—	—
95	45	Catalyst Comms. 5p	95	+13	—	—	—	39.5
200	168	Chelsea Artisans 5p	173	.....	—	—	—	22.2
180	155	Comac Group 5p			—	—	—	—
151	47	Corton Beach 10p	141	−2	0.4	♦	0.4	♦
200	150	Crown Eyeglass 5p	185	.....	—	—	—	—
285	102	Edenspring Investment	280	−5		—	—	—
*62	18	Eglinton Oil Ir.5p	26	−1	—	—	—	—
41	17	Do Warrants	18	−1	—	—	—	—
80	17	Publishing Hldgs.5p	77	+6	—	—	—	44.6
87	45½	Taeme Holdings	86	+1	1.0	♦	1.6	♦
140	111	Unit Group	140d	.....	R4.6	2.5	4.5	(10.0)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	90	....
Craig & Rose £1	£20¼	+¼
Finlay Pkg. 5p	127	.....
Holt (Jos) 25p	990	−5
IoM Stm. £1	130	+2
IRISH		
Fund 11¾% 1988	£100¼	+⅛
Nat. 9¾% 84/89	£98½	.....
Fin. 13% 97/02	£111¼	+⅛
Arnotts	355	.....
CPI Hldgs	58	.....
Carrol Inds.	178	−5
Dublin Gas	18	.....
Hall (R. & H.)	128	.....
Helton Hldgs.	40	.....
Irish Ropes	190	.....
Unidare	440	.....

TRADITIONAL OPTIONS

3-month call rates

Stock	p	Stock	p
Industrials		NEI	12
Allied-Lyons	40	Nat West Bk	65
Amstrad	20	P & O Dfd	65
BAT	55	Plessey	22
BOC Grp	45	Polly Peck	28
BSR	17	Racal Elecs	24
BTR	30	RHM	30
Babcock	19	Rank Org Ord	70
Barclays	52	Reed Intnl	45
Beecham	50	STC	30
Blue Circle	50	Sears	15
Boots	25	TI	34
Bowaters	50	TSB	10
Brit Aerospace	55	Tesco	55
Brit. Telecom	32	Thorn EMI	70
Burton Ord	35	Trust Houses	24
Cadburys	22	Turner Newall	28
Charter Cons.	40	Unilever	300
Comm Union	30	Vickers	20
Courtaulds	45	Wellcome	42
FNFC	30	**Property**	
Gen Accident	95	Brit Land	25
GEC	24	Land Securities	45
Glaxo	200	MEPC	42
Grand Met	55	Peachey	45
GUS 'A'	175	**Oils**	
Guardian	90	Brit Petroleum	32
GKN	30	Britoil	32
Hanson Tst.	15	Burmah Oil	45
Hawker Sidd	50	Charterhall	6
ICI	125	Premier	11
Jaguar	52	Shell	110
Ladbroke	40	Tricentrol	11
Legal & Gen	32	Ultramar	24
Lex Service	45	**Mines**	
Lloyds Bank	50	Cons Gold	95
Lucas Inds.	62	Lonrho	26
Marks & Spencer	22	Rio T Zinc	90
Midland Bk	55		
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 15	Jun 25	Jun 26	July 6
Jun 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3

* New time dealings may take place from 9.00 am two business days earlier.

Equities rebound smartly to close at new peaks after an early bout of nervousness

An initial spell of nervousness in the UK securities market failed to halt the relentless advance in equities, which closed at new peaks yesterday.

Reflecting the trend, the FT-SE 100 share index, down 16.8 after the first hour of trading, rebounded to close with a rise of 16.4 on the day at 2403.0. The FT Ordinary share index ended 14.8 higher at 1892.6.

Many dealers started the day in a cautious frame of mind and marked down share prices as a number of trading houses took the view that a technical correction was overdue.

Some speculative areas of the market, particularly Merchant Banks, ran into profit-taking, but the overall volume of selling was negligible and a gradual recovery ensued.

However, confidence appeared to take a distinct turn for the better as Wall Street opened higher with selected international stocks such as Glaxo and Bats rebounding sharply.

British Gas featured in the Energy sector, rising 5 to 198p in a volume of some 33m shares. The advance was accompanied by talk of a large Japanese buying order.

Mercanile House, the financial services group headed by Mr John Barkshire, remained in the limelight. The shares, marked down sharply on Monday in response to news that bid talks had proved to be abortive, rallied to close 21 higher at 451p. City analysts were united in their view that Mercantile remains a prime bid target.

Once again, Government bonds were overshadowed by events in the equity sector. Conditions in this area of the market remained extremely quiet with quotations drifting slightly easier in line with a similar trend in sterling before staging a modest revival in the late dealings.

The bank sector was highlighted by a persistent wave of buying interest in Standard Chartered which moved up 16 to 814p on a mixture of the appointment of Australia's Robert Holmes à Court as deputy chairman of the bank and also amid rumours that Lloyds could well be back to bid for the group; the ban on Lloyds bidding for Standard was lifted last Sunday.

The big four clearers were moving ahead in late trading after slipping easier during initial trading. NatWest were particularly favoured and closed 16 higher at 748p. Midland were unchanged at 638p following news that the bank has received an "expression of interest" in Greenwell Montagu, its institutional equity broking arm.

Widespread and often substantial profit-taking lowered the recently buoyant merchant banks sector. Hill Samuel dipped 18 to 681p amid rumours that Larry Adler, of Australian group FAI, had sold his 14 per cent stake in the company, and may now fix his sights on Morgan Grenfell. The latter ran back 12 to 468p.

The life assurance market, upset last week by disappointing new business figures from Legal and General, were given another knock by much lower than expected new business figures from Equity and Law Life. The latter's shares fell sharply to close 15 down at 354p. Legal dipped 9 to 347p, London and Manchester 11 to 788p and Prudential dropped ⅛ to £10⅝. Pearl, however, made a significant upward move and settled 20 higher at 419p still boosted by rumours of an imminent bid.

Leading Breweries, marked lower at the outset, failed to participate in the equity market's subsequent recovery. Bass dipped ⅛ to £10⅜, while losses of around 3 were common, Allied-Lyons, 453p, and Guinness, 364p. Among the regionals, Greene King held relatively steady at 399p, despite announcing preliminary profits below most market estimates, securities house Wood Mackenzie rate the shares as a "sell." Matthew Brown, supported of late amid fresh hopes of a return bid by Scottish and Newcastle, dipped a few pence to 663p as the group paid £12.6m for a 50 per cent stake in leisure group Langdale.

Leading Buildings, strong performers recently, turn irregular as the sector paused for breath. Nevertheless, prices, having fluctuated narrowly for most of the session, began moving higher again late reflecting the early upturn on Wall Street. Blue Circle were finally a couple of pence dearer at 543p, while RMC added 3 more to 546p. BPB Industries firmed 6 more to 848p, but Tarmac, after Monday's bright showing on talk of a broker's profits upgrading, settled 3 cheaper at 339p. Redland drifted off to close 5 cheaper at 556p and Rugby Portland Cement softened a couple of pence to 289p. Among Contracting and Construction issues, AMEC attracted support at 426p, up 8, while John Laing moved up 7 to 400p. Tilbury Group, in which Raine Industries recently sold its holding, rebounded 7 to 375p. Demand in a restricted market lifted Aberdeen Construction 18 to 285p. Countryside gained 31 to 386p following persistent support and Wilson (Connolly) firmed 6 to 444p.

Demand for selected Chemical issues tcontinued apace with Hickson International rising 10 to 752p and Coates Brothers A adding 7 to 310p.

Stores finished a shade easier for choice with the bulk of the day's business again concentrated on Sears which dipped 4 to 176½p as some 1m shares changed hands reflecting doubts over Mr Robert Holmes a Court's intentions to mount a full-scale bid. Dixons were also lively before closing 4 off at 373p ahead of today's preliminary figures; Greenwell Montagu estimate pre-tax profits of around £105m. Activity in second-line Stores was again centred on asset value situations. Martin Ford advanced 16 more to 239p—a two-day gain of 45—amid widespread feelings that the group is about to be reclassified as a property concern. Similarly, Amber Day touched 122p before settling 16 up on balance at 113p, with associate John Kent rising 12 to 135p in sympathy. S & U Stores hardened 17 more to 178p. Alfred Preedy improved 10½ to 173½p following the more-than-doubled annual profits.

British Telecom were easier at 285p first thing, on a report that telephone charges may be held for a year, but picked up strongly later in the day to close a net 10 higher at 296p on hopes of revived Japanese demand. Ferranti added 5 at 146p following a buy recommendation from Morgan Grenfell. Cambridge Instruments, on the other hand, dropped 18 to 112p in the wake of a sell circular from Morgans.

Hawker Siddeley held pride of place in a generally firm engineering sector with the shares 19 higher at 619p, still buoyed by rumours of an imminent bid from BTR and a buy recommendation from Chase Manhattan Securities.

The US expansion, via the purchase of a 10 per cent stake in Californian group CDS, as well as 50 per cent of the warrants in the US company, boosted Telfos 10 to 203p. The latest burst of strength in contracting and construction issues lifted Braithwaite 19 to 440p, while speculative support was seen in Porter Chadburn — where Charterhouse Bank purchased a 17.7 per cent stake — which jumped 20 to 475p. Howden Group rose 16 to 118½p in response to the optimistic statement and same again dividend that accompanied the sharply reduced annual profits.

The Food sector provided a couple of bright features in Cadbury Schweppes, finally 12 up at 280p and Tate and Lyle, which closed 16 higher at 854p, both reflecting unconfirmed reports of two separate brokers' recommendations. Elsewhere, late buying interest help Argyll Group recover an initial fall of a couple of pence to close 6 dearer on balance at 477p. Among secondary issues, Squirrel Horn were sharply higher at 175p following news of the disposal of its confectionery business to private confectionery group Alma Holdings for some £2.3m. Christian Salveson, 7 dearer at 193p reflected acquisition news.

Miscellaneous Industrial leaders traded in relatively subdued fashion throughout but made limited progress the later business reflecting Wall Street advices. Glaxo led the way, rising ¼ to £17¼. British Aerospace eased 5 to 542p, however, following a "sell" recommendation from BZW. Reed International, on the other hand, improved 5 to 539p following the acquisition of Variety, the renowned US entertainment trade paper for an undisclosed sum. News of the management reorganisation failed to inspire Williams Holdings, finally 14 cheaper at 904p. Persistent speculative demand was evident for Elbief which touched 130p at one stage before retreating to 88p—still up 25 on balance—as the board issued a "no reason for the share price rise" statement.

Buyers also showed interest for Widney, 6½ up at 78p, Lep Group, 36 dearer at 275p, Oakwood, 67 to the good at 860p, and Ashley Industrial Trust, 8 better at 121p. Anglo Nordic were marked 9 higher to 41p in response to the return to profits, but Fergabrook fell 4 to 39p after revealing an increased full-year deficit. Allied Plant also shed a few pence, to 78p, following the acquisitions of Tiger Holdings and Vernons Plant.

Lucas Industries continued in encouraging form, rising 5 more to 791p reflecting the recent re-rating and thoughts that the group could be a possible takeover target; cash-rich BTR were again mentioned as a lyikely predator. Buyers also returned for Airflow Streamlines, finally 20 dearer at 190p; the shares have risen from 101p on June 1 when the company revealed an excellent set of full-year figures.

Motor Distributors again highlighted Sunderland-based T. Cowie which put on 55 more to 925p, encouraged by further bullish notices from analysts following the recent tie-up with Mr Gerald Ronson's Heron Group which should emphasise Cowie's status as a finance comany rather than a purely Garage concern. Persistent feelings that the group is set to expand into the south of England stimulated renewed demand for Trimoco, which operates Ford and General Motors franchises from its Luton base. Trimoco, formerly Combined Technologies, put on 7 more to 77p.

Leading Properties gave modest ground in the absence of further buying interest although prices tended to steady late in the day. Land Securities finished 1 off at 559p, after 555p, and MEPC shed a similar amount to 547p. British Land slipped 3 to 323p and Great Portland Estates gave up 4 at 302p, but Slough Estates continued to trade firmly and added a couple of pence more to 302p. Secondary issues displayed several noteworthy gains. Control Securities were outstanding and closed 20 higher at 94p reflecting heavy speculative buying both prior to and after the announcement that the company had agreed to acquire a portfolio of commercial properties from Heron Corporation for £27.5m; the two groups have also set up a joint venture property trading and development company. Egerton Trust put on 2 to 283p following details of an offer for Trentham, a civil engineering and property development group for some £10m. Renewed speculative buying boosted Phoenix Property 31 to 197p, while demand in restricted markets lifted Regentcrest 23 to 266p and A. Caird 25 to 310p. Hanover Druce continued to attract support and advanced 30 more to 500p.

Courtaulds responded afresh to institutional enthusiasm and advanced 5 for a two-day improvement of 26½ to 526p. Elsewhere in Textiles, support was evident for John Crowther, 233p, and for Hugh Mackay, 255p, up 11 and 20 respectively, the latter following the acquisition of tufted carpet manufacturer Pendle for an initial consideration of £2.5m, to be partially satisfied by a share placing and open offer to shareholders at 220p per share. In sharp contrast, Sekers International dipped 21 to 175p reflecting disappointment with the virtually unchanged preliminary profits.

A relatively quiet session in British Gas was transformed during the early afternoon when rumours of a major buying order from a Japanese securities house began to circulate. Down to 191p early on in the day British Gas shares subsequently raced up to end the session a net 5 up at 198p after a turnover of 33m shares, which compares with the previous day's turnover of 14m shares.

Oil shares generally failed to make any further substantial progress and moved narrowly with profit-taking tending to outweigh new buying interest triggered by the tense situation in the Gulf. BP closed 2 up at 403p while Britoil, scheduled to announce interim figures on July 31, dipped 4 to 347½p, Ultramar were outstanding and raced up 21 to 299p as strong buying by BZW found the market short of stock. Features in the second liners included Oliver Resources, 12 up at 79p, Marinex, 5 up at 46p, Great Western, 15 higher at 233p and Sovereign 4 firmer at 99½p.

Traded Options

Total contracts transacted in traded options amounted to 46,148—33,904 calls and 12,244 puts. Hanson Trust and British Gas featured the day's business, attracting 4,277 and 4,105 calls respectively. 1,126 of the latter being done in the July 180's. Lively trading was also noted for Sears, with 2,669 calls, and Cadbury-Schweppes which recorded 2,739 calls and 406 puts. A useful evenly-balanced turnover was reported in Rolls-Royce which contributed 1,987 calls and 1,907 puts.

Traditional Options

- First dealings July 6
- Last dealings July 17
- Last declaration Oct 8
- For Settlement Oct 19

For rate indications see end of London Share Service

Stocks dealt in for the call included Dares Estates, C. H. Bailey, Petranol, Febel International, Ryan Hotels, GEC, C. Baynes, Trimoco, MY Holdings, Hestair, Broad Street, Bula Resources, Kellock, B. Priest, Hampton Trust, Rotaprint, Common Brothers, Amstrad, Pavion, Wheway, Morgan Grenfell, Eagle Trust, Property Trust, Rock, Blacks Leisure, Inoco, Hawker, Astra Holdings, Control Securities, Abaco, Norfolk Capital, Sears and Commercial Union. Puts were arranged in Mercantile House and Sapphire Petroleum, while double options were transacted in Bridon and Lysander.

FINANCIAL TIMES STOCK INDICES

	July 14	July 13	July 10	July 9	July 8	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.70	90.74	90.55	90.89	90.72	89.00	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.30	98.29	97.90	97.96	97.26	96.35	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1892.6	1877.8	1892.6	1846.1	1827.2	1302.6	1,892.6 (14/7)	1,320.2 (2/1)	1,892.6 (14/7/87)	49.4 (26/6/40)
Gold Mines	413.4	405.2	407.4	402.1	391.8	190.3	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.05	3.08	3.09	3.12	3.13	4.24				
Earnings Yld.%(full)	7.40	7.46	7.49	7.54	7.52	10.22				
P/E Ratio (net) (*)	16.60	16.47	16.42	16.30	16.40	11.90				
SEAQ Bargains (5 pm)	54,795	62,414	64,970	52,475	51,118	—				
Equity Turnover (£m)	—	1799.50	2104.32	1915.62	1,909.34	536.50				
Equity Bargains	—	77,624	70,750	62,789	64,718	21,620				
Shares Traded (ml)	—	—	913.8	997.3	879.4	220.3				

S.E. ACTIVITY

Indices	July 13	July 10
Gilt Edged Bargains	99.1	112.0
Equity Bargains	503.0	458.4
Equity Value	3637.3	4253.4
5-Day Average		
Gilt Edged Bargains	116.2	119.0
Equity Bargains	443.4	417.0
Equity Value	3831.5	3677.9

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1872.3	1867.0	1875.1	1874.6	1877.5	1881.5	1880.3	1883.2

Day's High 1892.6 Day's Low 1866.7. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=16.29.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (405)

BRITISH FUNDS (3), AMERICANS (5), BANKS (7), BREWERS (3), BUILDINGS (34), CHEMICALS (13), STORES (14), ELECTRICALS (28), ENGINEERING (30), FOODS (19), HOTELS (2), INDUSTRIALS (74), LEISURE (9), MOTORS (15), NEWSPAPERS (2), PAPERS (15), PROPERTY (21), SHIPPING (3), SHOES (1), TEXTILES (15), TOBACCOS (1), TRUSTS (68), OILS (13), OVERSEAS TRADERS (5), MINES (4), THIRD MARKET (1).

NEW LOWS (3)

BANKS (1) MCorp, ELECTRICALS (2) Cambridge Instrument, Toshiba Corpn.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	4,200	220	+½	Jaguar	1,600	554	−6
Allied Lyons	915	453	−3	Ladbroke	415	461	+4
Amstrad	930	176	+1	Land Securities	8665	559	−1
Argyll Group	1,800	477	+6	Legal & Gen.	2,600	347	−9
Assoc. Brit. Foods	334	413	+5	Lloyds Bank	767	402	+4
BAT	3,600	674	+17	Lonrho	808	284	−½
BET	8866	303	+6	MEPC	133	547	−1
BOC	511	527	+3	Marks & Spencer	1,400	27	+1
BPB Inds	166	848	+6	Midland Bank	551	638	—
BPCC	1,100	320	+3	NatWest Bank	830	748	+166
BTR	3,900	356	+2	Next	816	355	−2
Barclays	1,000	6166	+3	Pearson	930	743	−4
Bass	50	£10⅜	−⅛	P & O	477	753	−2
Beecham	1,100	558	+2	Pilkington Bros	425	£10⅝	—
Blue Circle	315	543	+2	Plessey	5,500	244	−1
Boots	2,900	316	−2	Prudential	350	£10⅝	−⅛
Brit. Airways	9,700	162½	−½	Racal	3,750	280½	+6½
Brit. Aero	1,100	542	−5	Rank Org	114	820	−1
Brit. & Comm.	343	530	−2	RHM	1,000	335	+2
British Gas	32,000	198	+5	Reckitt & Col	140	£12¼	—
Britoil	4,000	347½	−4	Redland	586	556	−5
BP	6,600	403	+2	Reed Intl.	1,800	539	+5
Brit. Telecom	5,100	296	+10	Reuters	837	867	−2
Bunzl	444	257	−1	RMC	468	546	+3
Burton	1,300	330	—	RTZ	3,000	£12¼	+¼
Cable & Wire	1,200	412	—	Rolls-Royce	3,900	121	—
Cadbury Schwps	6,700	280	+12	Rowntree	109	570	—
Coats Viyella	1,400	371	+10	Ryl Bank Scotland	81	393	+2
Comm. Union	2,900	374½	−3½	Royal Insurance	3,400	548	—
Cons. Gold	658	£11¼	+¼	STC	1,400	319½	+2½
Cookson	444	786	+13	Saatchi & Saatchi	644	698	+21
Courtaulds	619	526	+5	Sainsbury	1,100	286	—
Dee Corpn	1,700	240	−2	Scott & Newcastle	1,400	259	+2
Dixons Group	3,000	373	−4	Sears	10,000	176½	−4
English China Clays	253	533	—	Sedgwick	669	324	−1
Fisons	1,400	394	−4	Shell Trans	1,850	£14¾	—
Gen. Accident	66	£11⅛	—	Smith & Nephew	675	187½	—
Gen. Elect	5,500	233	+2	Standard Chart.	1,500	814	+16
Glaxo	706	£17¼	+¼	Storehouse	913	299	−3
Globe Investment	602	192	+2½	Sun Alliance	152	£10¾	+⅛
Granada	469	349	−2	TSB	1,800	92½	—
Grand Met	2,000	594	+1½	Tarmac	1,000	339	−3
GUS "A"	177	£14½	+¼	Tesco	1,300	194	+2
Guardian R.E.	34	£21¾	+¼	Thorn EMI	2,000	793	+15
GKN	2,200	385	+2	Trafalgar House	434	415	−4
Guinness	3,900	364	−3	T'house Forte	1,500	27	−1
Hammerson	1,000	645	−5	Unigate	937	420	+5
Hanson Trust	10,000	189½	+2	Unilever	2,000	702	+19
Hawker Sidd.	1,300	619	+19	United Biscuits	1,000	330	+2
Hillsdown Hldgs	1,300	324	+3	Wellcome	1,500	43	+7
ICI	900	£15¼	—	Whitbread "A"	195	369	−3
				Woolworth	334	425	−3

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	28	68	16
Corporations, Dominion and Foreign Bonds	3	7	49
Industrials	607	397	558
Financial and Properties	165	172	261
Oils	28	30	56
Plantations	1	5	8
Mines	60	41	89
Others	56	99	106
Totals	948	819	1,143

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — *Figures in parentheses show number of stocks per section*

		Tuesday July 14 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Mon July 13 Index No.	Fri July 10 Index No.	Thurs July 9 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	1023.33	+0.5	6.70	2.66	18.67	11.21	1018.29	1009.96	1000.90	717.84
2	Building Materials (29)	1356.67	−0.2	6.55	2.53	19.00	15.55	1359.02	1342.47	1324.32	810.35
3	Contracting, Construction (33)	1911.62	+0.6	6.27	2.50	21.40	19.38	1981.15	1879.43	1852.54	1247.85
4	Electricals (13)	2688.10	—	5.64	2.96	22.78	36.50	2686.92	2674.41	2670.24	1858.31
5	Electronics (35)	2163.46	+1.1	7.01	2.27	18.27	15.26	2140.96	2136.04	2143.26	1600.11
6	Mechanical Engineering (60)	538.35	+0.8	7.50	3.14	16.74	7.80	533.98	531.89	529.39	402.97
8	Metals and Metal Forming (7)	580.32	+0.7	6.75	2.71	17.85	6.86	576.27	572.92	567.29	347.01
9	Motors (14)	393.64	+0.6	7.76	2.70	14.98	3.42	391.46	387.80	382.30	303.65
10	Other Industrial Materials (21)	1704.68	+0.2	5.65	2.84	21.34	22.53	1701.03	1676.21	1641.03	1292.70
21	CONSUMER GROUP (185)	1383.34	+0.5	5.72	2.45	22.43	14.33	1376.80	1370.67	1362.01	911.87
22	Brewers and Distillers (22)	1253.53	−0.5	7.48	2.84	16.81	11.77	1259.46	1261.92	1245.50	926.53
25	Food Manufacturing (24)	1075.76	+1.7	6.53	2.84	19.87	15.12	1058.09	1050.10	1049.01	680.30
26	Food Retailing (16)	2605.45	+0.2	5.00	2.23	27.24	21.16	2599.04	2614.11	2560.33	1820.06
27	Health and Household Goods (10)	2603.65	+0.9	3.88	1.54	30.19	15.11	2581.27	2588.99	2582.75	1525.83
29	Leisure (31)	1462.23	+0.6	5.65	2.97	22.92	20.36	1454.02	1446.36	1446.63	891.43
31	Packaging & Paper (15)	729.41	+0.1	5.60	2.37	23.62	7.88	728.68	718.65	719.89	472.17
32	Publishing & Printing (15)	4489.40	+0.6	4.69	3.05	27.42	59.63	4461.53	4494.05	4494.11	2559.94
34	Stores (36)	1149.83	−0.3	6.20	2.49	21.92	12.81	1153.11	1136.27	1127.97	866.34
35	Textiles (16)	868.78	+1.8	7.16	2.58	16.20	11.71	853.15	821.89	818.23	545.71
40	OTHER GROUPS (86)	1177.27	+1.4	7.34	2.97	17.01	11.06	1160.45	1154.45	1147.80	769.66
41	Agencies (16)	1755.36	+1.4	3.89	1.39	33.89	9.76	1730.33	1718.97	1702.09	0.0
42	Chemicals (22)	1456.32	+0.3	6.75	3.02	18.16	19.79	1452.51	1448.25	1441.16	915.57
43	Conglomerates (12)	1519.46	+0.6	6.90	3.01	16.61	18.93	1510.11	1481.63	1448.93	0.0
45	Shipping and Transport (11)	2443.47	+0.4	6.40	3.29	20.62	37.76	2434.15	2442.07	2418.09	1468.25
47	Telephone Networks (2)	1149.48	+2.8	8.75	3.52	15.25	2.95	1118.05	1116.48	1123.83	810.80
48	Miscellaneous (23)	1702.56	+2.1	8.27	2.62	14.48	18.61	1667.29	1662.50	1653.52	1051.38
49	INDUSTRIAL GROUP (483)	1250.09	+0.7	6.41	2.64	19.72	12.80	1240.92	1233.96	1225.50	835.72
51	Oil & Gas (17)	2437.48	+0.5	4.49	3.79	28.84	37.29	2425.80	2448.23	2450.17	1175.99
59	500 SHARE INDEX (500)	1350.91	+0.7	6.11	2.82	20.73	14.94	1341.54	1337.08	1329.51	866.26
61	FINANCIAL GROUP(118)	857.13	+0.2	—	3.44	—	13.48	855.03	848.83	843.27	611.48
62	Banks (8)	862.29	+1.0	16.06	4.35	8.23	16.24	853.67	849.45	841.53	655.69
65	Insurance (Life) (9)	1152.05	−0.7	—	3.66	—	20.71	1160.45	1161.86	1183.35	878.13
66	Insurance (Composite) (7)	642.91	—	—	3.81	—	11.76	642.64	633.30	631.62	490.28
67	Insurance (Brokers) (9)	1338.71	—	8.04	4.04	16.03	26.32	1338.22	1321.83	1295.35	1190.62
68	Merchant Banks (11)	487.67	−0.9	—	2.77	—	6.88	492.05	481.48	463.62	347.08
69	Property (46)	1334.35	+0.1	3.56	2.22	36.30	12.06	1332.92	1323.90	1313.25	796.72
70	Other Financial (28)	581.62	+0.7	5.70	2.78	22.06	7.17	577.34	575.19	570.27	342.76
71	Investment Trusts (91)	1139.73	+0.2	—	2.10	—	12.12	1138.82	1139.38	1126.14	756.46
81	Mining Finance (2)	591.94	+1.8	5.72	2.81	20.08	6.79	581.39	583.22	583.91	253.28
91	Overseas Traders (10)	1163.29	—	7.78	4.04	15.25	23.27	1163.61	1154.30	1150.70	670.86
99	ALL-SHARE INDEX(721)	1218.15	+0.6	—	2.90	—	14.37	1210.66	1206.18	1199.06	790.83

	Index No.	Day's Change	Day's High	Day's Low	July 13	July 10	July 9	July 8	July 7	Year ago
FT-SE 100 SHARE INDEX ‡	2403.0	+16.4	2403.0	2369.8	2386.6	2382.0	2371.0	2356.9	2365.4	1593.0

FIXED INTEREST

PRICE INDICES — AVERAGE GROSS REDEMPTION YIELDS

[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

AUSTRIA

July 14	Price Sch%	+ or −
Creditanstalt	1930.00	+10
Goesser	2615.00	+5
Interunfall	11850	......
Jungbunzlauer	7550	+50
Laenderbank	1840.00	+10
Perlmooser	682.00	+12
Steyr-Daimler	120.00	......
Veitscher Mag	756.00	+8

BELGIUM/LUXEMBOURG

July 14	Price Frs.	+ or −
B.B.L.	3370	+15
Banque Gen. Du. L.	15300	......
Bank Int. A	14300	......
Bekaert B	11700	−300
Ciment CBR	5900	......
Cockerill	166	−2
Delhaize	3755	......
EBES	5090	−20
Fabrique Nat.	1530	−20
GB Inno BM	1300	......
GBL (Brux) L	3910	......
Generale Bank	6600	......
Gevaert	7740	−10
Hoboken	7630	−70
Intercom	4080	−45
Kredietbank	4600	−100
Pan Holdings	12700	......
Petrofina	12000	−200
Raffinerie Tirle	1580	......
Royale Belge	6210	......
Soc Gen Belge	4145	......
Sofina	14900	−200
Solvay	13750	+75
Stanwick Intl.	450	......
Tractebel	7580	+20
UCB	11000	−50
Wagons Lits	5590	......

DENMARK

July 14	Price Kr %	+ or −
Baltica Skand	965.00	+15
Cop Handelsbank	269.00	......
D. Sukkerfab	301.00	−3
Den Danske Bank	349	......
East Asiatic	190.00	+1
Forenede Brygg	820	......
GNT Holding	250.00	......
I.S.S.B. Systems	760.00	......
Jyske Bank	520	......
Novo Inds.*	274.00	−3
Privatbanken	268.00	+1
Sophus Berendsen	915.00	+5
Superfos	231.00	......

FINLAND

July 14	Price Mka	+ or −
Amer	241.5	−1
KOP	53.4	−0.05
Kone	223	−1
Finnish Sugar	93.7	+1.5
Nokia	196.5	−1.5
Pohjola 'B'	91.3	+0.35
Rauma-Repola	28.1	+0.25
Stockmann 'B'	248	+1.5
UBF 'C'	34.9	+0.5
Utd. Paper	164.5	+0.5
Wartsila (S11)	229.5	......

FRANCE

July 10	Price Frs.	+ or −
Emprunt 4½% '73	1805	......
Emprunt 7% 1973	8875	......
Accor	473.00	......
Agence Havas	533.00	......
Air Liquide	699	......
BIC	746	......
BNP (Cert. Inv.)	550	......
Bongrain	2790	......
Bouygues	1175	......
BSN Gervais	4920	......
CIT-Alcatel	2500	......
Carrefour	3401	......
Club Mediterranean	610.00	......
Cie Bancaire	713	......
Cofimeg	351.00	......
CGE	334.90	......
Damart	2670	......
Darty	417	......
Dumez S.A.	2200	......
Eaux (Cie Gen)	1265	......
Elf-Aquitaine	386.00	......
Essilor	3650	......
Gen. Occidentale	1180	......
Imetal	151.70	......
Lafarge Coppee	1627	......
L'Oreal	3842	......
Legrand	5350.00	......
Maisons Phenix	81.50	......
Matra S.A.	2330	......
Michelin B.	3200	......
Midi (Cie)	1410	......
Moet-Hennessy	2800	......
Moulinex	75	......
Nord Est	173.20	......
Paribas	464.00	......
Pernod Ricard	1018.00	......
Perrier	801	......
Petroles Fra	496.20	......
Peugeot S.A.	1630	......
Printemps Au.	670	......
Radiotech	1525	......
Redoute	2955	......
Roussel-Uclaf	1473	......
St. Gobain	451.60	......
Selimeg	461	......
Skis Rossignol	1180	......
Telemech Elect	3140	......
Thompson (CSF)	1420	......
Valeo	591.00	......

GERMANY

July 14	Price Dm.	+ or −
AEG	315	+5.5
Allianz Vers	1885	−10
BASF	306.5	+1
Bayer	337.3	−0.5
Bayer-Hypo	445	+10
Bayer-Verein	431.5	+7.5
BHF-Bank	461	+17
BMW	701.5	+1.5
Brown Boveri	322.8	−0.2
Commerzbank	289.5	+8.5
Cont'l Gummi	355.8	+1.3
Daimler-Benz	1146.5	+19
Degussa	535	+10.5
D'sche Babcock	234.8	+2.8
Deutsche Bank	657.5	+8.5
Dresdner Bank	337	+3.5
Feldmuehle Nobel	324.7	−0.3
Henkel	561	+8
Hochtief	628	−12
Hoechst	310	+0.2
Hoesch Werke	120.5	+1.5
Holzmann (P)	419.8	−0.2
Horten	243.6	+6.6
Hussel	597	+14
Karstadt	490.1	+1.1
Kaufhof	481.5	+4
KHD	171	−0.5
Kloeckner	40	−2.9
Linde	732	+4
Lufthansa	192	+1
MAN	188.8	+2.8
Mannesmann	163	+3.2
Mercedes Hld.	980	+19
Metallgesell	341	+6
Muench Rueck	2050	−20
Nixdorf	827	+7
Porsche	1007	+2
Preussag	178	+1
Rhein West Elect.	208.3	−1.7
Rosenthal	281.5	+5.5
Schering	586	−4
Siemens	697.2	−2.3
Thyssen	124	+0.5
Varta	370	+10
Veba	308.5	−0.2
V.E.W.	160	+2
Verein-West	414	+2
Volkswagen	420	−2.5

ITALY

July 14	Price Lire	+ or −
Banca Com'le	3345	......
Bastogi-IRBS	590	−25
CIR	5905	......
Credito Italian	1918	......
Fiat	12430	−23
Generali Assicur	131200	−625
Italcementi	100100	......
La Rinascente	1220	+13
Montedison	2285	−5
Olivetti	12230	−30
Pirelli Co	6400	......
Pirelli Spa	4930	......
Saipem	3699	......
Snia BPD	3405	......
Toro Assic	30350	−150

NETHERLANDS

July 14	Price Fls.	+ or −
ACF Holding	61.10	−1.4
AEGON	93.30	−0.5
Ahold	105.90	+0.9
AKZO	172.20	−0.6
ABN	477.00	−0.5
AMEV	60.90	−0.9
AMRO	76.5	+0.3
Boehrmann-Tet	56.00	+1.7
Dordtche Petroleum	255.00	−3
Elsevier Ndu	56.80	−1.3
Fokker	54.50	+1.1
Gist Brocades	49.00	+1.5
Heineken	185.80	+3.3
Hoogovens	47.70	+0.4
Hunter Douglas	56.70	−0.1
IHC Caland	22.90	......
Int Mueller	67.10	−1.6
KLM	54.30	+1
KNP	156.50	......
Nat Ned Cert	72.60	......
Ned Mid Bank	169.00	+2
Ned Lloyd	140.50	......
Oce Grinten	443.00	−5
Ommeren (Van)	36.80	......
Pakhoed	77.50	−0.3
Phillips	55.00	+1
Robeco	107.00	+0.3
Rodamco	140.60	......
Rolinco	98.50	−0.4
Rorento	52.20	+0.1
Royal Dutch	283.90	−2.2
Unilever	140.40	+1.7
VMF Stork	24.70	+0.2
VNU	89.60	+0.6
Wessanen	89.80	−0.2
Wolters Samsom	124.00	−1.5

NORWAY

July 13	Price Kroner	+ or −
Aker-Norcem	72.50	+2.5
Bergen bank	176.00	+1
Bergesen B	418.00	+6
Christiania Bk	188.50	−0.5
Den Norsk Credit	158.50	+1.5
Elkem	117.00	+1.5
Kosmos	137.00	+0.5
Kvaerner	218.50	+1
Norsk Data	228.00	−0.5
Norsk Hydro	222.50	−0.5
Orkla Borregaar	418.00	+3
Storebrand	347.50	+3.5

SPAIN

July 14	Price Pts.	+ or −
Banco Bilbao	1430.00	......
Banco Central	1020.00	−20
Banco Exterior	470.00	−5
Banco Hispano	530.00	−10
Banco Popular	1640.00	+10
Banco Santander	1245	+5
Banco de Vizcay	2000.00	−10
Banesto	765.00	+15
Dragados	840.00	+3
Hidrola	76.20	+0.2
Iberduero	116.50	−1.5
Petroleos	587.00	−16
Telefonica	200.50	−1.7

SWEDEN

July 14	Price Kroner	+ or −
AGA (free)	203	......
Alfa-Laval	313.00	+1
ASEA (Free)	394.00	+15
Astra (Free)	297.00	+2
Atlas Copco	179.00	−2
Beijer A Fria	229	......
Cardo (Free)	240	......
Cellulosa	364.00	+2
Electrolux B	299.00	+2
Ericsson	256.00	......
Esselte	173.00	−1
Mo Och Domsjo	395.00	+3
Pharmacia	204.00	+1
Saab-Scania (free)	649	+4
Sandvik	173.00	+2
Skandia Ins.	161.00	−1
Skandia Intl	247.00	−2
Skan Enskilda	133.00	−2
SKF	353.00	−2
St. Kopparbergs	398.00	+4
Svka Handelsbn	468.00	+10
Swedish Match	104	......
Volvo B (Free)	334.00	+4

SWITZERLAND

July 14	Price Frs.	+ or −
Adia Intl.	11900	+50
Alusuisse	698	+10
Bank Leu	3225	......
Brown Boveri	2390	+35
Ciba Geigy	3800	+40
do. (PtCts)	2550	+10
Credit Suisse	3080	−10
Elektrowatt	3820	−30
Fischer (Geo.)	1600	......
Hoff-Roche (Pt Cts)	136500	−3000
Hoff-Roche 1/10	13750	......
Jacobs Suchard	9150	−90
Jelmoli	3650	+50
Landis & Gyr	1610	......
Nestle	9850	+75
Oer-Buhrle	1380	−10
Pargesa Hldg	2270	......
Pirelli	438	−1
Sandoz (Br)	13725	−175
Sandoz (PtCts)	2220	−10
Schindler (PtCts)	783	−2
Sika	1630	......
Surveillance	6350	......
Swissair	1385	−15
Swiss Bank	454	......
Swiss Reinsce	17500	+50
Swiss Volksbk	2130	−10
Union Bank	4650	−25
Winterthur	6550	−25
Zurich Ins	6750	+50

AUSTRALIA

July 14	Price Aust$	+ or −
ACI Int.	4.3	−0.12
A.F.P.	2.88	−0.02
Adelaide Steams	8.7	......
Amcor	5.1	−0.02
ANZ Group	4.28	−0.07
Ampol Pet	3.25	......
Ariadne Aust	2.7	−0.02
Ashton	3.85	+0.05
Aust Guarant	2.8	......
Aust Nat Inds	2.08	−0.04
Bell Group	8.56	+0.06
Bell Resources	4.9	+0.08
Bond Corp Hldgs	2.68	+0.03
Boral	5.4	−0.04
B'ville Copper	5.1	+0.15
Brambles Inds	9.9	−0.1
Bridge Oil	1.75	+0.01
BHP	10.1	−0.05
BHP Gold	1.38	+0.03
Burns Philp	4.7	−0.1
CRA	10.45	+0.05
CSR	3.98	+0.03
Chase Corp	3	......
Claremont Petro	1.2	+0.02
Coles Myer	7.4	......
Comalco "A"	3.85	−0.05
Consolidated Pet	2.55	......
Costain Aust	2.9	−0.1
Elders IXL	4.85	−0.03
Energy Res	2.75	+0.05
Gen Prop Trust	3.35	−0.05
Goodman Fielder	4.25	−0.15
Hardie (J.)	3.95	......
Hartogen Energy	3.7	+0.2
ICI Aust.	5	−0.2
Industrial Equity	5.16	−0.1
Jimberlana (50cFP)	0.55	+0.02
Jones (David)	11.2	+0.2
Kia Ora Gold	1.1	......
Kidston Gold	7.3	−0.08
Lend Lease	16	−0.3
MIM	2.66	−0.09
Mayne Nickless	5.12	+0.02
Nat. Aust. Bank	4.88	+0.03

AUSTRALIA (Continued)

July 14	Price Aust$	+ or −
News	20.2	......
Noranda Pacific	4	+0.05
North Bkn Hill	3.38	−0.07
Oakbridge	0.58	−0.02
Pacific Dunlop	5.18	−0.02
Pancont'l	3.85	......
Pioneer Conc	4	+0.2
Placer Pacific	4	+0.1
Poseidon	5.4	+0.1
Queensland Coal	1.57	+0.04
Santos	7.36	−0.04
Smith (H.)	5.2	+0.1
Thos Natwide	5.1	−0.02
Tooth	7.96	......
Vamgas	3.8	......
Western Mining	7.58	+0.08
Westpac	5.26	......
Woodside Petrol	2.15	−0.05
Woolworths	3.15	+0.05
Wormald Intl	3.25	−0.05

HONG KONG

July 14	Price H.K.$	+ or −
Bank East Asia	27.10	+0.2
Cathy Pacific	7.10	+0.15
Cheung Kong	12.50	+0.2
China Light	24.20	+0.3
Evergo	0.71	+0.03
Hang Lung	15.20	+0.6
Hang Seng Bank	45.00	+1
Henderson Land	7.15	+0.1
Hong Kong China	18.20	+0.2
HK Electric	9.25	+0.1
HK Land	7.25	+0.1
HK Shanghai Bank	9.30	+0.1
HK Telephone	14.00	......
Hutchison Wpa	13.30	+0.2
Indust. Equity P	25.00	+0.4
Jardine Math	18.00	+0.2
New World Dev	13.10	+0.1
SHK Props	17.30	−0.1
Shell Elec. Mfg.	1.48	−0.05
Swire Pac A	23.80	+0.1
TV-B	14.60	+0.1
Wharf Hldgs	9.15	......
Windsor Ind.	12.70	+0.2
World Int Hldgs	4.37	+0.1

JAPAN

July 14	Price Yen	+ or −
Ajinomoto	3330	−70
All Nippon Air	1940	+80
Alps Electric	2220	−80
Asahi Chemicals	1180	+10
Asahi Glass	1830	−50
Bank Tokyo	1630	−10
Bridgestone	1030	−20
Brother Inds.	677	−8
Canon	888	−17
Casio Computers	1210	−30
Chugai Pharm	1800	+10
Daiei	1850	+20
Dai Ichi Kan Bank	3050	−70
Dai Nippon Ink	760	−4
Dai Nippon Ptg	2090	......
Daiwa House	2420	−10
Daiwa Sec	2790	−50
Eisai	2120	......
Fanuc	5400	−210
Fuji Bank	3050	−40
Fuji Film	3580	−30
Fujisawa	2180	+10
Fujitsu	1050	......
Furukawa Elect	700	+1
Green Cross	2770	+10
Heiwa Real Est	1890	+70
Hitachi	1040	−40
Hitachi Credit	1700	+20
Honda	1510	−50
Indl Bank Japan	4070	−60
Ishikawajima Ha	634	−34
Isuzu Motors	376	+1
Itoh (C)	714	−5
Ito Yokado	3940	−40
JAL	13200	+400
Jusco	1610	......
Kajima	1660	−40
Kao Soap	2000	......
Kawasaki Steel	250	−6
Kirin	2550	−50
Kobe Steel	260	−3
Komatsu	648	−7
Konishiroku	801	−29
Kubota	600	−1
Kumagai	1060	−30
Kyoto Ceramic	5580	−110
Marubeni	510	......
Marui	3430	−60
Mazda Motors	427	......
Meiji Seika	1110	......
MEI	2150	−80
M'bishi Bank	3100	......
M'bishi Chem	1130	−20
M'bishi Corp	1250	+30
M'bishi Elec	599	−18
M'bishi Estate	2690	−60
MHI	586	−2
Mitsui Bank	2430	+10
Mitsui Co.	730	−20
Mitsui Estate	2350	−50
Mitsui Toatsu	710	−9
Mitsukoshi	1660	−10
NGK Insulators	905	−5
Nikko Sec	2280	−20
Nippon Denso	1480	−50
Nippon Elect	1800	−100
Nippon Express	1180	−10
Nippon Gakki	1450	−30
Nippon Kogaku	820	−20
Nippon Kokan	272	−7
Nippon Oil	1450	−10

JAPAN (Continued)

July 14	Price Yen	+ or −
Nippon Seiko	580	+2
Nippon Shinpan	1380	−30
Nippon Steel	329	−4
Nippon Suisan	625	−4
Nippon Yusen	579	+3
Nissan Motor	686	−14
Nisshin Flour	1190	+20
Nomura	4490	−50
Olympus	1100	−10
Onada Cement	706	......
Orient Finance	1600	+10
Orient Leasing	3870	−130
Pioneer	2700	−90
Ricoh	985	−4
Sankyo	1840	−10
Sanwa Bank	2750	−30
Sanyo Elect	550	......
Sapporo	2050	+70
Sekisui House	2420	−30
Seven-Eleven	8000	+400
Sharp	1150	−60
Shimizu Const.	940	−7
Shionogi	1650	−10
Shiseido	2090	+20
Showa Denko	642	+12
Sony	3880	−100
S'tomo Bank	3690	−120
Sumitomo Chem	865	−20
Sumitomo Corp	1000	......
S'tomo Elect	1620	−20
S'tomo Metal	223	−7
Taisei Corp	1030	−20
Taisho Marine	1120	−30
Taiyo Kobe Bank	1580	−60
Takeda	2950	−30
TDK	3890	−80
Teijin	808	−7
Toa Nenryo Kyo	2150	......
Tokai Bank	2170	−60
Tokyo Marine	2180	−40
Tokyo Elect Pwr	6270	+30
Tokyo Gas	1050	−40
Tokyu Corp	1550	−50
Toppan Print	1590	......
Toray	702	−3
Toshiba Elect	605	−22
Toyo Seikan	2500	−30
Toyota Motor	1770	−60
UBE Inds	465	−4
Victor	2910	−60
Yamaha	840	......
Yamaichi Sec	2310	−50
Yamanouchi	4180	−60
Yamazaki	1650	......
Yasuda Fire	1100	−50

SINGAPORE

July 14	Price $	+ or −
Boustead Hldgs	2.09	−0.03
Cerebos Pacific	6.20	−0.15
Cold Storage	4.84	......
DBS	15.10	......
Genting	7.15	−0.2
Haw Par Bros	5.20	−0.2
Hong Leong Fin.	4.94	−0.11
Inchcape Bhd	6.40	+0.05
Keppel Shipyard	3.98	−0.1
Malay Banking	8.20	−0.15
Malayan Utd. Ind.	2.58	−0.08
Multi Purpose	0.97	−0.03
OCBC	10.40	......
OUB	5.30	+0.2
Public Bank	2.81	−0.08
Sime Darby	3.80	−0.08
Singapore Air	13.60	−0.1
Singapore Press	9.25	−0.3
Straits Trading	4.82	−0.08
Tat Lee Bank	3.98	−0.02
UOB	6.40	......

SOUTH AFRICA

July 14	Price Rand	+ or −
Abercom	3.05	......
AE & CI	16.00	+0.25
Allied Tech	155	......
Anglo Am Coal	34.50	−0.25
Anglo Am Corp	83.75	......
Anglo Am Gold	376.00	+6.5
Barclays Bank	21.75	......
Barlow Rand	24.50	+0.25
Buffels	70.50	+0.5
CNA Gallo	4.60	......
Currie Finance	5.70	−0.05
De Beers	45.25	−0.5
Driefontein	85.50	+2.5
Freegold	58.00	+1.25
Gold Fields SA	81.50	+0.5
Highveld Steel	6.70	+0.1
Malcor Hldgs	20.00	+0.75
Nedbank	8.15	+0.05
OK Bazaars	18.75	......
Rembrandt	15.00	......
Rust Plat	56.62	+1.37
Safren	27.00	......
Sage Holdings	16.50	......
SA Brewers	21.50	+1
Smith (C.G.)	45.00	......
Tongaat Hulett	13.25	+0.25

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Prices at 2.30pm July 14

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL

Closing prices July 14

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total Sales 6,213,616 shares

F—No voting rights or restricted voting rights.

Indices

NEW YORK-DOW JONES

	July 14	July 13	July 10	July 9	July 8	July 7	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Industrials	2,481.35	2,452.97	2,455.99	2,451.21	2,463.97	2,449.78	2463.97 (8/7/87)	1927.31 (2/1)	2463.97 (8/7/87)	41.22 (2/7/32)
Transport	1,043.73	1,040.31	1,035.56	1,031.81	1,032.93	1,038.18	1038.25 (25/6/87)	816.38 (2/1)	1038.25 (25/6/87)	12.32 (8/7/32)
Utilities	204.57	205.15	206.38	205.84	206.24	205.49	227.83 (22/1/87)	191.39 (28/5)	227.83 (8/4/87)	10.5 (8/4/32)
Trading vol	-	152.772m	172.13m	198.188m	205.895m	201.474m	-	-	-	-

	June 26	June 19	June 12	Year Ago (Approx)
Ind Div Yield %	2.82	2.81	2.83	3.59

STANDARD AND POORS

	July 14	July 13	July 10	July 9	July 8	July 7	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Industrials	359.91	359.38	358.82	358.82	358.75	358.21	359.82 (10/7/87)	274.58 (2/1/87)	358.31 (25/6/87)	3.82 (21/6/32)
Composite	310.58	307.63	308.37	308.37	308.29	307.48	308.65 (22/6/87)	246.45 (2/1/87)	308.65 (22/6/87)	4.40 (1/6/32)

	July 8	July 2	June 24	Year Ago (Approx)
Ind div yield %	2.84	2.40	2.49	3.80
Ind. P/E Ratio	20.42	23.28	23.46	17.82
Long Gov Bond Yield	8.45	8.08	8.48	7.91

N.Y.S.E. ALL COMMON

July 14	July 13	July 10	July 9	1987 High	1987 Low
174.67	173.18	173.57	173.15	178.77 (22/6)	141.81 (21/1)

RISES AND FALLS

	July 9	July 8	July 7
Issues traded	1,980	1,962	1,985
Rises	822	814	1,060
Falls	741	718	521
Unchanged	417	430	404

TORONTO

	July 14	July 13	July 10	July 9	1987 High	1987 Low
Metals & Minls	3,175.8	3,111.1	3,092.1	3,105.2	3,111.1 (13/7/87)	1,988.2 (2/1/86)
Composite	3,958.6	3,925.5	3,925.1	3,932.5	3,938.98 (8/7/87)	3,067.8 (2/1/86)
MONTREAL Portfolio	2,009.27	1,991.34	1,993.46	1,992.55	1,997.41 (8/7/87)	1,534.3 (2/1/85)

* Indicates pre-close figure

	July 14	July 13	July 10	July 9	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1927.0	1930.7	1915.3	1898.6	1930.7 (13/7)	1486.7 (2/2)
Metals & Min'ls (1/1/80)	1207.7	1202.4	1193.6	1184.6	1287.5 (18/5)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	189.02	187.54	185.87	185.01	230.60 (2/1)	182.21 (19/6)
BELGIUM						
Brussels SE (1/1/84)	5009.00	5016.90	5034.29	5050.76	5050.76 (9/7)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	205.82	205.50	205.74	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	578.6	576.0	580.3	584.6	584.6 (9/7)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	(c)	(c)	(u)	420.30	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	(c)	(c)	106.80	105.80	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	633.99	627.66	624.23	623.41	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	1922.50	1900.90	1893.4	1888.90	2048.3 (6/1)	1633.8 (19/3)
HONG KONG						
HangSeng Bank (31/7/64)	3253.42	3216.11	3207.21	3225.97	3253.42 (14/7)	2449.88 (20/1)
ITALY						
Banca Com. Ital (1972)	668.45	671.82	677.76	674.31	767.34 (30/4)	668.45 (14/7)
JAPAN**						
Nikkei (16/5/49)	23931.53	24118.01	24102.99	23755.90	25929.42 (17/6)	18544.0 (13/1)
Tokyo SE New (4/1/68)	1998.76	2020.50	2017.74	1983.34	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	313.00	313.60	311.20	311.60	313.60 (7/7)	257.7 (28/1)
ANP CBS Indust. (1970)	263.20	263.20	262.00	263.20	274.9 (5/1)	243.60 (11/6)
NORWAY						
Oslo SE (4/1/83)	447.22	446.45	445.24	445.27	447.22 (14/7)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1352.50	1378.90	1371.21	1348.52	1378.91 (13/7)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	2176.0	2163.0	2144.0	2308.0 (27/4)	1786.0 (19/3)
JSE Indust (28/9/78)	(u)	2008.0	2008.0	2000.6	2008.0 (13/7)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	258.03	258.20	256.70	257.78	258.20 (13/7)	202.89 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	2842.20	2830.30	2811.10	2808.50	2842.20 (14/7)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Cp. (31/12/58)	628.20	630.00	629.8	626.0	630.00 (13/7)	564.5 (25/2)
WORLD						
M S Capital Intl. (1/1/70)	(u)	458.4	459.0	456.4	480.30 (12/6)	361.3 (2/1)

**Saturday July 11. Nikkei Index: Closed

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia, All Ordinary and Metals—500. NYSE All Common—50, Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
ATT	4,388,200	30	+ ⅛	Ford Motor	1,696,300	107	+3⅝
Gillette	2,560,000	43⅜	+2	Navistar	1,643,900	7⅛	+ ⅛
Wstn Co Nu	2,152,000	2¼	+ ⅜	Texaco	1,648,100	43⅞	− ⅛
IBM	2,129,600	168	−1⅞	Wal-Mart	1,608,400	35⅝	+1⅞
Polaroid	1,857,600	34¼	+ ¾	Amer Expr	1,373,600	33⅞	unch

Advances 788 Declines 451

LONDON – Most Active Stocks

Monday, July 13, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	32.00m	198	+ 5	BP	6.60m	403	+ 2
Hanson Trust	19.00m	188½	+ 2	Gen Elect	5.50m	233	+ 2
Sears	18.80m	179½	− 4	Plessey	5.50m	244	− 1
Brit Airways	9.70m	162½	− ½	Brit Telecom	5.10m	286	+10
Cadbury Schwps	6.70m	288	+12	ASDA-MFI	4.20m	228	+ ½

TOKYO – Most Active Stocks

Monday, July 13, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nisshin Steel	62.52m	455	− 9	Tokuyama Soda	8.99m	820	−20
Nippon Steel	48.45m	329	− 4	Teikoku Oil	8.79m	1,050	+20
Kawasaki Steel	36.91m	250	− 6	Toshiba	7.71m	605	−22
Mitsubishi Heavy Ind	21.34m	586	− 2	Yamato Kogyo	7.57m	1,080	−70
Ishikawajima-Harima	11.39m	634	−34	Jaccs	6.71m	819	− 5

LONDON Chief price changes

(in pence unless otherwise indicated)

RISES:		
Aberdeen Con	285	+ 18
Airflow Streaml.	190	+ 20
Amber Day	113	+ 16
Anglo Nordic	41	+ 9
British Gas	198	+ 5
Cadbury Schw.	280	+ 12
Control Secs	94	+ 20
Countryside Props	386	+ 31
Elbief	88	+ 25
Ford (Martin)	239	+ 16
Gt Western Res	233	+ 15
Hawker Siddeley	619	+ 19
Howden Group	118½	+ 16
Mackay (Hugh)	255	+ 20
Mercantile House	457	+ 21
Oliver Res	78	+ 11
Pearl	419	+ 20
Phoenix Props	197	+ 31
Squirrel Horn	175	+ 30
Standard Ch	814	+ 16
Tate & Lyle	854	+ 16
Trimoco	77	+ 7
Ultramar	299	+ 21
Widney	78	+ 6½
FALLS:		
Equity & Law	354	− 15
Hill Samuel	681	− 18
Kleinwort Benson	612	− 12
Legal & General	347	− 9
Morgan Grenfell	468	− 12
Sekers Int'l	175	− 21

N. AMERICAN QUARTERLY RESULTS

AFG INDUSTRIES
Flat glass products

	1987 $	1986 $
Second quarter		
Revenues	124.7m	98.8m
Net income	*24.7m	9.2m
Net per share	*0.97	0.40
Six months		
Revenues	232.9m	181.8m
Net income	*33.8m	15.1m
Net per share	*1.33	0.68

* Includes $14m gain from sale of GenCorp stock.

BANK OF NEW ENGLAND
Banking

	1987 $	1986 $
Second quarter		
Net income	*4.9m	48.4m
Net per share	*0.06	0.73
Six months		
Net income	*65.3m	97.5m
Net per share	*0.95	1.48

* Includes $56.1m foreign loan provision.

BARNETT BANKS

	1987 $	1986 $
Second quarter		
Net income	43.5m	40.6m
Net per share	0.79	0.75
Six months		
Net income	88.1m	79.4m
Net per share	1.61	1.47

CERTAINTEED
Fibre glass, building products

	1987 $	1986 $
Second quarter		
Revenues	290.7m	288.1m
Net income	14.7m	16.1m
Net per share	0.77	0.85
Six months		
Revenues	557.5m	541.1m
Net income	29.3m	26.7m
Net per share	1.54	1.41

DANA
Vehicle parts

	1987 $	1986 $
Second quarter		
Revenues	1.06bn	978.8m
Net income	42.5m	39.3m
Net per share	0.95	0.75
Six months		
Revenues	2.06bn	1.94bn
Net income	73.5m	73.8m
Net per share	1.64	1.40

DESOTO
Paint, coatings

	1987 $	1986 $
Second quarter		
Revenues	118.7m	131.5m
Net income	6.8m	4.9m
Net per share	1.73	1.02
Six months		
Revenues	209.0m	228.3m
Net income	8.9m	7.3m
Net per share	2.27	1.53

FIRST UNION
Banking

	1987 $	1986 $
Second quarter		
Assets	24.5bn	23.1bn
Net income	60.2m	81.3m
Net per share	0.54	0.75
Six months		
Net income	138.7m	145.9m
Net per share	1.25	1.35

FIRST VIRGINIA BANKS
Banking

	1987 $	1986 $
Second quarter		
Net income	13.8m	12.3m
Net per share	0.72	0.65
Six months		
Net income	27.1m	25.2m
Net per share	1.41	1.33

FIRST WACHOVIA
Banking

	1987 $	1986 $
Second quarter		
Assets	18.8bn	17.6bn
Net income	30.6m	45.0m
Net per share	0.56	0.83
Six months		
Net income	79.9m	91.9m
Net per share	1.47	1.70

GEORGIA-PACIFIC
Forest products

	1987 $	1986 $
Second quarter		
Revenues	2.10bn	1.93bn
Net income	148.0m	86.0m
Net per share	1.35	0.80
Six months		
Revenues	3.95bn	3.53bn
Net income	228.0m	116.0m
Net per share	2.06	1.05

GOLDEN WEST FINANCIAL
Savings and loans

	1987 $	1986 $
Second quarter		
Assets	13.1bn	12.1bn
Net income	40.9m	45.6m
Net per share	1.31	1.48
Six months		
Net income	83.0m	93.4m
Net per share	2.66	2.99

GREAT NORTHERN NEKOOSA
Forest products

	1987 $	1986 $
Second quarter		
Revenues	575.1m	502.1m
Net income	44.9m	*300,000
Net per share	0.82	*0.01
Six months		
Revenues	1.14bn	989.9m
Net income	88.2m	13.6m
Net per share	1.62	0.26

SHERWIN WILLIAMS
Paints

	1987 $	1986 $
Second quarter		
Revenues	491.5m	432.0m
Op. net income	30.1m	27.4m
Op. net per share	0.67	0.58
Six months		
Revenues	872.1m	764.2m
Op. net income	37.8m	32.7m
Op. net per share	0.84	0.70

SQUARE D
Electrical equipment

	1987 $	1986 $
Second quarter		
Revenues	367.2m	356.5m
Net income	28.2m	24.6m
Net per share	0.97	0.85
Six months		
Revenues	703.3m	690.6m
Net income	51.1m	45.7m
Net per share	1.76	1.58

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

Stock	Sales (Hnds)	High	Low	Last	Chng
Ogilbay 1.40	84	26	26	26	− ½
Rainer 1.18	15 1302	51½	50⅝	51½	+ ⅜
Reeves	17 1028	10¼	9¾	10	
RgcyEl .20	229	6	5⅞	6	
SCarNs .56	11 45	22⅞	22⅛	22⅞	+ ¼
Sounet	25 48	19	18½	19	
SthdFn	2448	6¼	d 5⅞	6⅛	− ½
Soutrst .80	10 1115	23¼	23	23	− ⅛
US Bcs .88	11 883	28¼	27¾	28	
US HltC .16	20 7299	14¼	13¾	14	− ⅛
US Sur .40	24 250	31½	31⅜	31⅜	
US Trs 1	12 848	38	36¾	37¾	+ 1¾
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20⅛	AAR s	.50	1.5	23	316	33	32½	33	+¾
37	21⅞	ADT	.92	2.9	18	110	32¼	32	32⅛	+⅛
27¾	16¾	AFG s	.16	.5	13	1778	u29½	27¾	29⅛	+2
22⅜	8⅜	AGS s			18	906	17¼	15⅜	17¼	+1⅞
11¾	6¾	AMCA				187	10	9	10	+1
9⅜	4⅞	AM Intl				343	7	6⅞	6⅞	−⅛
62⅞	47¼	AMR			13	4438	60⅝	59⅝	60¼	
27½	24⅞	ANR pf	2.67	10.		2	26¼	26¼	26¼	−¼
11¾	8	ARX s			12	97	10⅜	10⅛	10⅛	−⅛
73½	29⅝	ASA	2a	3.3		497	61½	60¼	60¼	−¾
20	9¾	AVX		1.9	85	193	17	16¾	17	+¼
67	41	AbtLab	1	1.6	24	3089	61⅜	60⅝	60¾	−⅛
26	25½	Abitibi g				39	25½	d25⅜	25⅜	−¼
28¾	16⅝	AccoWs	.44	1.5	29	581	28½	28½	28½	−⅛
15⅛	9	AcmeC	.40	2.8	10	341	14¾	14¼	14½	+⅜
8⅜	6⅛	AcmeE	.32b	4.1	30	3	7⅞	7⅞	7⅞	
23⅞	19	AdaEx	3.42e	16.		109	22⅛	21¾	21¾	−⅜
19½	11⅜	AdmM s	.24	1.6	11	49	15¼	15⅛	15⅛	−⅛
25⅛	12⅛	AdvSys	.62t	2.7	17	511	23½	23	23¼	+½
24½	12⅞	AMD				10449	18¾	18¼	18⅜	−⅛
54¾	47	AMD pf	3	6.2		420	48¼	48	48¼	+¼
10¾	5¼	Adobe				669	10¼	9⅞	10¼	+¼
20½	13¾	Adob pf	1.84	9.5		2	19⅜	19⅜	19⅜	
21⅞	16⅜	Adob pf	2.40	11		7	21⅝	21⅝	21⅝	
15⅝	10⅜	Advest	.12a	1.0	9	196	12¾	12½	12⅝	
68¼	53	AetnLf	2.76	4.6	9	3687	59¾	59	59¾	+¾
97½	87¼	AetL pfC	4.70e	4.8		16	u99	98	98	+½
64½	26½	AfilPb s	.32	.5	33	1080	63½	62	63½	+1⅜
28⅜	18⅝	Ahmans	.88	4.2	6	8363	21¼	20¾	21⅛	
5⅜	2⅞	Aileen				34	4	3⅞	3⅞	
50¼	29⅛	AirPrd	1	2.0	27	1305	49¾	48½	49¾	+1⅛
36	16	AirbFrt	.60	2.0	11	1567	29⅞	29	29⅜	+⅜
15	7⅝	Airgas n			23	22	13¾	13½	13¾	
20⅜	16¼	AirIsc n	1.57e	9.0		39	17⅝	17½	17½	−⅛
15-32	¼	AlMoan				71	⅜	⅜	⅜	
10¾	9	AlaP dpf	.87	8.8		250	9⅞	9¾	9⅞	
106½	93¼	AlaP pf	9	9.4		z100	95¾	95¾	95¾	
104	87	AlaP pf	8.16	9.1		z400	91⅛	90	90	−1
98½	84¼	AlaP pf	8.28	9.7		z170	85¾	85½	85½	−½
27⅞	14¼	AlskAir	.16	.7	15	872	22⅜	21⅞	22⅜	+½
27½	13½	Alberto	.24	1.0	31	14	24½	24⅛	24¼	−¼
22⅜	13½	AlbCul	.24	1.2	26	196	20¾	20¼	20¾	+⅛
58½	40¼	Albtsns	.96	1.7	18	148	57	56½	56½	−½
34⅝	18⅜	Alcan s	.60	1.7	19	8010	u34½	33⅝	34½	−⅞
29⅛	18½	AlcoS s			21	1631	u30	29	30	+1⅛
42⅜	22⅜	AlexAlx	1	3.9	31	1962	25¾	25½	25⅝	+⅛
50½	34½	Alexdr			73	22	47½	47¼	47¼	−⅛
78	48½	AllegCp				196	u78⅝	77⅛	78⅜	+1
24¾	11¾	AlgInt				569	14½	14¼	14⅜	−¼
20⅛	9½	AlgIn pr				1	16⅝	16⅝	16⅝	−¼
88½	39	Algl pfC				1	75½	75½	75½	
31½	26	AlgLudn				805	u31⅝	30⅞	31⅝	+⅝
53⅞	36⅝	AllgPw	2.92	7.4	10	1359	39½	39	39⅜	
94⅝	48½	Allegis	1	1.1	31	5923	u94⅞	93½	94¾	+¼
21	14½	AllenG	.56	3.5		235	16⅜	16	16	−⅜
26	19⅜	Allen pf	1.75	8.8		49	20	20	20	
45½	25½	AlldPd			8	43	27⅞	27⅜	27½	+⅝
49¼	36¾	AldSgnl	1.80	4.1	13	6505	45¼	44⅛	44¼	−½
10½	6¼	AlldSup			84	281	10¼	10	10⅛	−⅛

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25 7/8	15 7/8	PayCsh	.16	.7	18	708	22 1/2	22 1/4	22 1/2	-1/8
64 1/4	52 3/4	PenCen	.05	.1	18	656	63 1/2	62 3/8	63	
58 1/4	34 1/2	Penneys	1.48	2.8	16	3589	54	52 1/4	53 5/8	+7/8
43 3/8	34	PaPL	2.68	7.6	11	2381	35 1/4	34 7/8	35 1/4	-1/8
54	47	PaPL pf	4.50	8.9		z140	50 1/2	50 1/2	50 1/2	
104	88	PaPL pf	8.60	9.6		z100	90	90	90	
112 1/2	102	PaPL pr	11	11.		z70	104 3/8	104 3/8	104 3/8	
67	44	Penwlt	2.20	3.5	16	198	64 1/4	63 1/8	63 1/8	-3/4
95	51 1/4	Pennzol	2.20	2.8	40	384	79 3/8	78 1/2	78 7/8	+3/8
26 3/4	18 1/2	PeopEn	1.44	7.0	11	423	20 3/4	20 1/8	20 1/2	+1/4
53	35 1/4	PepBoy	.24	.5	32	311	51 3/8	50 1/4	51 3/8	+1 1/8
16 7/8	15 7/8	PepB wi				148	u17 1/2	17	17 1/2	+5/8
38 1/4	24 1/2	PepsiCo	.58	1.8	22	8427	u38 3/4	37 3/4	38 5/8	+3/4
13 1/8	10 1/8	PerkF	n.85e	8.3	23	132	10 3/8	10 1/8	10 1/4	-1/4
41 1/8	23 1/8	PerkEl	.60	1.8	24	4805	32 3/8	31 1/4	32 1/4	+1
7 7/8	5 1/2	Prmian	.37e	4.9	13	1159	7 5/8	7 1/4	7 1/2	+1/8
9 1/2	8 3/8	PrLP pr	1.15	13.		482	9 1/8	8 3/4	9	+1/8
19 3/4	9 1/2	PeryDr	.22	2.0		82	11 1/8	10 7/8	11 1/8	
34 7/8	23 3/4	Petrie	.70	2.2	21	528	32 3/8	31 7/8	32 3/8	+3/8
21 1/4	17 1/2	PtPar n	2	11.		94	18 1/2	18 1/4	18 1/4	-1/4
33	26	PetRs	2.57e	7.8		28	32 7/8	32 5/8	32 7/8	+1/8
20	15 7/8	PetRs pf	1.57	9.1		21	17 1/2	17 1/4	17 1/4	-1/4
2 1/2	1	PtrInv	.07e	5.1		5	1 3/8	1 3/8	1 3/8	
77	58 1/4	Pfizer	1.80	2.5	18	2012	71 3/8	70 3/8	70 7/8	+1/4
42 3/8	16	PhelpD			35	1767	40 3/8	39 1/2	40 3/8	+3/8
61 1/4	51	PhlpD pf	3.40	5.6		115	60 1/2	60	60 3/8	-1/8
26	19 1/8	PhilaEl	2.20	10.	8	2665	21 3/4	21 1/2	21 5/8	
43 7/8	38	PhE	pfA3.80	9.5		z200	40	39 1/2	40	+1 1/8
48 3/8	38 1/4	PhE	pfB4.30	10.		z650	43	41	43	+1/4
54	43	PhE	pfD4.68	10.		z270	48 1/2	45 5/8	45 5/8	+1/8
97 1/8	80 1/8	PhE	pfG8.75	10.		118	85	83 5/8	85	
13 7/8	12 1/8	PhE	pfR1.41	11.		17	12 5/8	12 1/2	12 1/2	
13 1/4	11 1/8	PhE	pfP1.33	11.		35	12	11 7/8	11 7/8	
88 3/8	72	PhE	pfH7.85	10.		281	77	74 3/4	77	

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

[illegible]

Continued on Page 41

FINANCIAL TIMES

WORLD STOCK MARKETS

Stronger bonds fuel advance to record levels

WALL STREET

NEWS of strong rises in second-quarter corporate profits helped push Wall Street stocks to record levels yesterday, *writes Roderick Oram in New York.*

The advance was helped by bonds which overcame early hesitancy to post gains of almost half a point as talk grew about the possibility of a prime rate cut.

The Dow Jones Industrial Average closed up 28.38 points at 2,481.35, breaking its previous record of 2,463.97 set last Wednesday.

Broader market indices also set records with the Standard & Poor's 500 closing up 3.05 at 310.68 and the New York Stock Exchange composite index adding 1.49 to 174.67. NYSE volume was moderately heavy at 185.8m shares with the number of issues advancing outpacing those declining by a ratio of nearly two-to-one.

Prices turned up even though the largest capitalisation stock performed poorly on news of its results. IBM fell $2⅜ to $167½ after reporting second-quarter profits of $1.95 a share against $2.12 a year earlier. Although the earnings were very close to the recent consensus forecast, speculation had risen in recent days that the leader of the computer industry might report profits closer to $2 a share. Such hopes had lifted IBM's share price $2⅞ on Monday and triggered a late-session rally of technology stocks.

IBM's performance was against the computer industry trend. Honeywell, up $2 to $84½, joined several other manufacturers reporting higher profits including Apple, up $2½ to $43, and NCR, up $1⅝ to $76⅝.

Advanced Micro Devices slipped $⅛ to $18⅝ and Intel rose $2¼ to $49. The two semiconductor makers returned to profits from heavy losses.

Among other companies reporting higher earnings, Georgia Pacific rose $⅜ to $43, Huffy added $1⅜ to $24¼, General Mills added $½ to $56, Sherwin-Williams slipped $⅛ to $34⅞ and IC Industries slipped ¼ at $33½.

Owens Corning Fiberglass fell $1 to $25⅞ and Lukens rose $1⅜ to $41⅛ after reporting lower second-quarter profits.

Chemical, up $⅛ to $42⅛, and Mellon, up $⅛ to $34⅞, joined the ranks of banks turning in large losses because of heavy additions to loan loss reserves. Other banks were generally strong with Chase adding $⅜ to $41 and Citicorp rising $⅛ to $59⅞.

In the takeover arena, Texaco fell $⅛ to $43⅜. A group of companies associated with Mr Robert Holmes à Court, the Australian entrepreneur, filed for permission to raise their stake in the oil group from 9.4 per cent to above 10 per cent.

Arthur D. Little fell $½ to $45½. The management consultant and research group reported second quarter profits of 69 cents a share against 63 cents. It received on Monday an unsolicited takeover offer of $50 a share from Plenum Publishing of New York.

The disappointingly small rise of 0.4 per cent in retail sales in June had no effect on most department stores stocks. Sears, Roebuck added $1⅛ to $51⅛, J. C. Penney rose $⅛ to $53⅜. The Limited added $1⅛ to $45½ and Wal-Mart gained $1¾ to $35¾ although Dayton Hudson slipped $⅜ to $49⅜ and Federated fell $⅜ to $52⅜.

Credit markets began on a cautious note with players preoccupied with upcoming economic data such as the US trade deficit due out today. Prices edged slightly higher during the day, however, amid growing hopes of a prime rate cut. The 8.75 per cent benchmark Treasury long bond finished up ⅛ of a point on the day at 102¹⁵⁄₃₂ yielding 8.50 per cent.

The Fed funds rate fell sharply to 5¾ per cent from 6⅛ per cent reducing further banks borrowing costs.

CANADA

AFTER a brief pause on Monday, Toronto Golds and mining stocks were higher and the energy index gained modestly.

Oil issues improved across the board. Imperial Oil gained C$⅜ to C$75⅜, Texaco Canada was up C$⅛ at C$40⅛ and Shell Canada improved C$⅛ to C$49⅛.

In golds, International Corona was down C$⅛ at C$40⅜, Lac Minerals added C$¼ at C$44¼ and Campbell Red Lake was up C$⅜ at C$37⅜.

SOUTH AFRICA

SUSTAINED demand for blue chips pushed Johannesburg higher and the overall index climbed 27 to equal its record close of 2,468 on May 18.

Golds remained strong as the bullion price continued firm. Vaal Reefs gained R10 to R472, Grootvlei put on 25 cents to R16 and Buffelsfontein was 50 cents ahead at R70.50.

Rustenberg Platinum added 75 cents to R56.50 but diamond stock De Beers eased 50 cents to R45.25.

Barlow Rand, whose steel and engineering operations were partially affected by the short-lived metalworkers' strike, edged up 25 cents to R24.50. SA Breweries gained R1 to R21.50.

Maggie Ford on a golden opportunity for foreigners in South Korea's climbing market

New convertible bond opens window on Seoul

GOLDSTAR, the South Korean electronics company, is to launch a $30m convertible bond on the Euromarkets providing foreign investors with a new opportunity to benefit from the country's export-led economic boom.

The issue, expected to receive formal approval from the Government next week, will be launched in London on July 24, lead managed by Merrill Lynch with Credit Suisse First Boston, Nikko Securities of Japan, and Lucky Securities, like GoldStar a subsidiary of the Lucky GoldStar business group.

Competition has been strong among foreign underwriters wanting to issue the bond. Mr Song Kim, international finance director of the Lucky GoldStar group said that interest in South Korean securities was so high that the bond was likely to be very favourably priced, at about 2 per cent coupon and a premium of more than 90 per cent.

The issue will be the first opening for foreign investors into the Seoul stock market since the Korea Eurofund was set up in March. In recent weeks the market has risen rapidly, gaining 44 points – more than 10 per cent – last week before a correction period in the past two days. Investors have reacted positively to the strength of the economy and to recent political moves towards democracy.

The bond will have a conversion period of two years, Mr Kim said, but could be converted into shares on the stock exchange earlier if the Government decided to open the market to foreign investors.

Mr Hong Jae Hyong, Assistant Finance Minister, said yesterday that South Korea remained concerned about allowing foreigners to invest in equities, because of the small size of the market and the low numbers of local investors.

A bond issued in 1985 by Samsung Electronics, another large South Korean company, was hedged with restrictions, but had a suggested conversion date next October. Mr Hong said, however, that opening the market fully this year would be impossible.

Holders of the Samsung bond might be able to convert it into equity, but would not be allowed to trade the shares, he said. Dividends could, however, be remitted abroad.

He added that the direction of government policy towards allowing entry to foreigners was clear, but that the timing remained a subject of debate. The Government would prefer the exchange to grow from the present 365 listed companies to 1,000, and the 1.4m investors to rise to 5m, he said.

GoldStar's share price yesterday stood at W23,500 ($29), compared with W20,200 on July 1. The company's price earnings ratio was 24.2 and net profits in 1986 amounted to W20.8bn on sales of W1,539bn compared with W11.2bn on sales of W1,252bn in 1985. The company expects a strong performance in 1987 in line with the South Korean economy as a whole.

EUROPE

Political jitters send Milan to another low

ITALIAN INVESTORS showed their nervousness over the chances of a new government being formed, sending the Milan bourse to its lowest point for the year. In Scandinavia the run of records continued but quiet summer trading kept other bourses within narrow ranges.

Milan ended at its lowest level for 1987. The Milan Stock Index closed at 923, down from a previous year's low of 926 on July 7 and compared with 927 on Monday.

Trading was thin and late selling pressure pushed prices lower towards the close.

Fiat closed down L58 at L12,395.

Montedison was unchanged at L2,300 while Olivetti declined L60 to L12,200.

Publisher Expresso continued its advance, adding L1,100 to end at L65,000 amid mounting rumours that major shareholders were raising their stake in the company.

Oslo jumped to its second record this week buoyed by optimistic oil issues which led the market. Otherwise prices were generally flat in moderate activity. The all-share index rose 1.43 to close at 343.07.

Saga Petroleum led the way for stocks with oil interests, adding NKr 4 to end at its NKr 114 record high for the year. Orkla-Borregaard gained NKr 4 to NKr 420.

Stockholm continued its recent rallies to close at an all-time high, largely due to the absence of sellers in a very thin market.

The Veckens Affarer all-share index closed up 4.7 at 1,045.3 as investors sought less-known stocks for wider profit margins, leaving most blue chips aside.

Frankfurt firmed during the day to end mostly higher, boosted by foreign demand and the steady dollar. Interest in banks and Daimler also helped lift the market.

Daimler advanced DM 19 to DM 1,146.50 and BMW added DM 1.50 to DM 701.50 in line with the trend.

Banks gained ground after performing below average in recent bourse rallies. Deutsche gained DM 8.50 to DM 657.50, Commerzbank added DM 8.50 to DM 289.50, Dresdner rose DM 3.50 to DM 337 and BHF was up DM 17 at DM 461.

Bonds closed mixed in a narrow range determined by technical factors. The Bundesbank sold DM 20.8m of paper after buying DM 73.5m on Monday.

Madrid slipped back from its record of Monday with a 0.17 drop in the general index to 258.03 after a mixed session characterised by profit-taking and selective buying.

Construction was the strongest sector, building on its rises over the past week.

Brussels succumbed to profit-taking for the second consecutive day and ended moderately lower. Turnover picked up from Monday but was still low due to the holiday on the Paris exchange where many Belgian shares are traded.

Zurich saw a day of quiet summer trading which left price changes in a narrow range and without a clear trend. The Crédit Suisse index slipped 2.1 close at 545.1.

Amsterdam was narrowly mixed, with the focus on a limited number of internationals. KLM gained Fl 1 to Fl 54.30 but Akzo ended a good run slipping 60 cents to Fl 172.20. Philips firmed Fl 1 to close at Fl 55.

London

AN INITIAL spell of nervousness in the UK securities market failed to halt the relentless advance in equities, which closed at new peaks yesterday.

Reflecting the trend, the FT-SE 100 share index, down 16.8 after the first hour of trading, rebounded to close with a rise of 16.4 on the day at a record 2,403.0. The FT Ordinary index ended 14.8 higher at 1,892.60. Government bonds drifted quietly easier in line with sterling. Details, Page 40.

ASIA

Nikkei slides as investors depart

TOKYO

TRADING dwindled further in Tokyo yesterday as investors withdrew from the market and share prices went into a steep decline, *writes Shigeo Nishiwaki of Jiji Press.*

Large-capitalisation stocks, high technology issues and financials all lost ground.

Large-capital issues were conspicuous losers. Brokerages tried to buoy up big-capital stocks in general by pushing up Nisshin Steel, which is expected to register an improved business performance for the current fiscal year. The stock topped the list of the 10 most active stocks with 82.51m shares, but the price closed Y9 lower at Y455, foiling the strategy of the securities houses.

Nippon Steel opened Y3 higher but finished Y4 cheaper at Y329, while Ishikawajima-Harima Heavy Industries plunged Y34 to Y634.

The Nikkei average slid below 24,000 losing 186.48 to 23,931.53. Volume sagged from Monday's 588m shares to 583m. Losers outpaced gains by 500 to 372, with 153 issues unchanged.

The growing tendency of investors to keep to the sidelines pushed down Monday's trading value below Y500bn to Y482bn, only one-fifth of the all-time high of Y2,374bn on March 27. Uncertain about future foreign exchange and interest rate trends, institutional investors have been reluctant to participate in the market, holding down trading volume at low levels. Most appear to want to decide their investment policy after the announcement today of the US trade balance for May.

Many high-tech issues fell on small-lot selling. Matsushita Electric Industrial lost Y80 to YY2,150, NEC Y100 to Y1,800 and Hitachi Y40 to Y1,040. Toshiba, battered by the illegal export of sophisticated machine tools to the Soviet Union by its subsidiary, fell Y22 to Y605.

Small-lot selling also hit financials, with Sumitomo Bank and Sumitomo Trust and Banking dropping Y120 to Y3,690 and Y140 to Y3,710 respectively.

Bond prices eased in thin trading. The yield on the bellwether 5.1 per cent government bond due in June 1996 fell from 4.225 per cent to 4.190 per cent at one stage, but selling expanded fast in line with the yield decline. It finished at 4.240 per cent in block trading on the Tokyo Stock Exchange and at 4.265 per cent in inter-dealer trading.

Market observers said trading on the cash market decreased, apparently because brokerage houses and institutional investors focused their attention on trading in Japanese government bond futures on the London International Financial Futures Exchange (LIFFE), which started on Monday.

HONG KONG

HEAVY buying, especially by small investors, lifted Hong Kong share prices back into record territory, with the Hang Seng index climbing37.31 to 3,253.42 to beat last Wednesday's high.

In active turnover worth HK$1.43bn, the Hong Kong index also scored a solid gain of 23.21 to 2,104.83. Late profit-taking took prices off the day's highs, however.

The buying surge was sparked by a recovery in the share prices of the Cheung Kong group and a strong performance by banks. Cheung Kong was up 30 cents at HK$12.50, Hutchison Whampoa gained 20 cents to HK$13.30 and Hongkong Bank added 10 cents to HK$9.30 in active trading.

AUSTRALIA

AFTER the immediate post-election euphoria, Sydney share prices fell back on profit-taking as overseas interest faded and the Australian dollar and bond market dropped.

The All Ordinaries index was off 3.7 at a close of 1,927.0 in heavy trading of 129m shares worth some A$236m.

Golds made selective gains as the bullion price picked up. Consolidated Exploration, in which IEL and Western Mining have increased their stakes, added 10 cents to A$3.

Industrials were generally easier, but Bell Resources added 16 cents to A$4.96 in active trading.

SINGAPORE

PROFIT-TAKING pulled Singapore share prices downwards over a broad front as the market retreated after a spate of records last week.

The Straits Times industrial index dropped 26.23 to close at 1,352.50 in a day of slower trading.

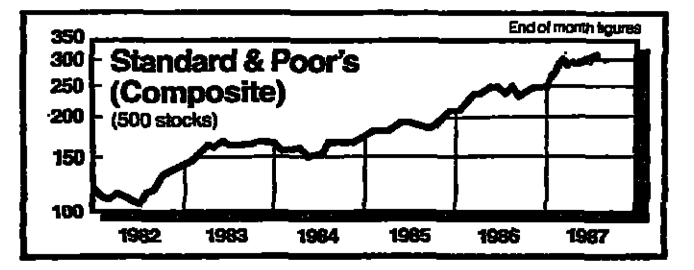
Several blue chips and quality stocks continued to lose ground as investors cashed in on their profits and foreign investors stepped back.

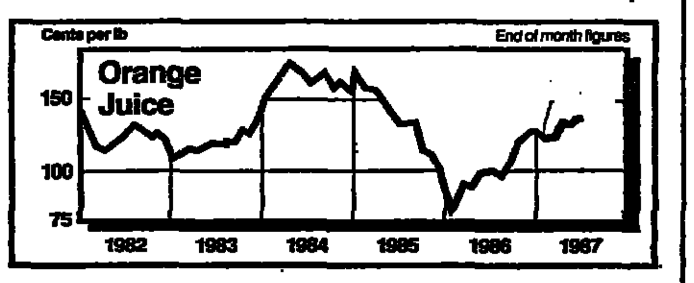
Singapore Airlines was off 10 cents at S$13.60, National Iron lost 35 cents to end at S$7, Singapore Land was down 20 cents to S$8.70 and Singapore Press Holdings shed 30 cents to S$9.25.

Other major losers included Fraser and Neave, down 50 cents to S$12.50, Genting off 20 cents at S$7.15, and New Straits Times which shed 25 cents to S$8.35.

Metro recovered 60 cents to S$11 after falling sharply on Monday on news that its stock-split was rejected by the stock exchange.

KEY MARKET MONITORS





STOCK MARKET INDICES

	July 14	Prev	Year ago
NEW YORK			
DJ Industrials	2,481.35	2,452.97	1,793
DJ Transport	1,043.73	1,040.31	740.00
DJ Utilities	204.57	205.15	204.16
S&P Comp.	310.56	307.63	238.11
LONDON FT			
Ord	1,892.6	1,877.8	1,302.6
SE 100	2,403.0	2,386.6	1,597.30
A All-share	1,218.15	1,210.66	790.83
A 500	1,350.91	1,341.54	866.26
Gold mines	413.4	405.2	190.3
A Long gilt	9.14	9.11	9.20
World Act. Ind (July 13)	129.34	129.35	91.55
TOKYO			
Nikkei	23,931.53	24,118.01	17,820.8
Tokyo SE	1,998.76	2,020.50	1,385.85
AUSTRALIA			
All Ord.	1,927.0	1,930.7	1,137.1
Metals & Mins.	1,207.7	1,202.4	503.4
AUSTRIA			
Credit Aktien	189.02	187.54	239.61
BELGIAN SE	5,009.00	5,016.90	3,722.46
CANADA			
Toronto			
Met.& Mins.	3,175.8	3,111.1	1,985
Composite	3,958.6	3,925.5	2,999.4
Montreal			
Portfolio	2,009.27	1,991.34	1,506.61
DENMARK SE			
SE	205.62	205.50	208.13
FRANCE			
CAC Gen	closed	closed	374.1
Ind. Tendance	closed	closed	87.83
WEST GERMANY			
FAZ-Aktien	633.99	627.66	622.90
Commerzbank	1,922.50	1,900.90	1,875.8
HONG KONG Hang Seng	3,253.42	3,216.11	293.3
ITALY Banca Comm.	668.45	671.82	667.87
NETHERLANDS ANP CBS			
Gen	313.00	313.60	294.3
Ind	263.20	263.20	293.3
NORWAY Oslo SE	447.22	446.45	355.41
SINGAPORE Straits Times	1,352.50	1,378.90	739.40
SOUTH AFRICA JSE			
Golds	—	2,176.0	1,270.1
Industrials	—	2,008.0	1,191.9
SPAIN Madrid SE	258.03	258.20	173.22
SWEDEN J & P	2,842.20	2,830.30	2,500.59
SWITZERLAND Swiss Bank Ind	628.20	630.00	547.5

COMMODITIES (London)

	July 14	Prev
Silver (spot fixing)	476.65p	468.20p
Copper (cash)	£1,039.00	£1,047.75
Coffee (July)	£1,222.50	£1,186.00
Oil (Brent Blend)	$19.825	$19.85

GOLD ($/oz)

	July 14	Prev
London	$447.00	$446.75
Zürich	$446.75	$447.55
Paris (fixing)	$444.61	$444.61
Luxembourg	$446.80	$443.50
New York (August)	$449.50*	$449.00

CURRENCIES (London)

	US DOLLAR July 14	US DOLLAR Previous	STERLING July 14	STERLING Previous
$	–	–	1.6105	1.6175
DM	1.8500	1.8425	2.9800	2.9800
Yen	151.05	150.95	243.25	244.25
FFr	6.1550	6.1325	9.9125	9.9200
SFr	1.5405	1.5360	2.4800	2.4850
Fl	2.0820	2.0745	3.3525	3.3550
Lira	1,338.5	1,334	2,155	2,157.75
BFr	38.35	38.20	61.75	61.80
C$	1.3175	1.3200	2.1240	2.1360

INTEREST RATES

Euro-currencies (3-month offered rate)	July 14	Prev
£	9⅛	9³⁄₁₆
SFr	3¹⁵⁄₁₆	3⅞
DM	3⅞	3¹⁵⁄₁₆
FFr	8⅝	8⅜
FT London Interbank fixing (offered rate)		
3-month US$	7	6¹⁵⁄₁₆
6-month US$	7⅛	7¹⁄₁₆
US Fed Funds	6⁷⁄₁₆*	6⅝
US 3-month CDs	6.60*	6.775
US 3-month T-bills	5.535*	5.77

FINANCIAL FUTURES

July 14	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
(Sept)	92–01	91–19	91–07	91–21
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	94.23	94.25	94.17	94.17
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.86	92.87	92.81	92.85
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	123-18	123-27	123-15	124-00

US BONDS

Treasury

	July 14* Price	July 14* Yield	Prev Price	Prev Yield
7⅜ 1989	100⅜₃₂	7.28	100⅜₃₂	7.338
7 1994	98⁷⁄₃₂	8.14	99⅛₃₂	8.183
8½ 1997	101⅜₃₂	8.33	100²⁹⁄₃₂	8.374
8¾ 2017	102¹⁵⁄₃₂	8.51	102⅜₃₂	8.539

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index July 14	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.66	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	July 14* Price	July 14* Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	93.19	6.45	92.63	6.40
SCBT South Central 10⅞ Jan 1993	102	10.28	102.75	10.25
Phibro Sal 8 April 1996	91.23	9.50	91.59	9.40
TRW 8⅞ March 1996	95.92	9.45	96.41	9.37
Arco 9⅞ March 2016	102.15	9.65	102.17	9.65
General Motors 8⅝ April 2016	85.23	9.65	85.22	9.65
Citicorp 9⅞ March 2016	92.36	10.20	92.36	10.20

Source: Salomon Brothers

* Latest available figures

SECTION III

FINANCIAL TIMES

SURVEY

和

Japan for most Western visitors, means Tokyo. Yet, while the capital's preoccupations, and in particular trade relations with the West, have vital implications for the rest of the country, other regions offer different perspectives. FT writers have been to all four corners to gain this wider view. Report introduced by **Ian Rodger**

Tokyo: where the financial markets move in accordance with inexorable rules, pushing up the value of the yen

CONTENTS

Pictures by Ashley Ashwood

The high price of success

JAPAN'S PHENOMENAL success in becoming a major industrial power in the post-war period has suddenly turned sour.

In the past year, the country's economy has reached undreamed of heights. Japan's huge output is now more than a tenth of the world total, and it could be closer to 20 per cent by the turn of the century.

Its overseas assets have climbed to about $500bn, well ahead of the peak of the oil exporting countries' reserves four years ago, and they are still growing rapidly.

But the Japanese people are waking up to the fact that their success has been achieved at a very high price. They now have to deal with a seemingly endless series of acrimonious disputes with the US and other foreign Governments.

Images of angry US Congressmen smashing Toshiba products on the lawn of the Capitol — a Toshiba subsidiary exported sophisticated machine tools to the Soviet Union, which have been used to make Soviet submarines more difficult to detect — are beginning to bring home the depth of hostility that Japan's singleminded advance has aroused abroad.

The Toshiba case has also pointed to a much more disturbing trend in recent disputes — their tendency to get entangled with the hitherto sacred mutual security arrangements between Japan and the US.

Japan's reaction so far to the growing crisis in its international relations has been basically to seize up. The country's decision—making bodies, from the national Government down, operate with the objective of achieving internal harmony through the development of consensus. However, on the current crisis, opinions diverge widely, and there is no consensus in sight, so there is little action.

Some leaders acknowledge shortcomings in the country's economic and foreign policies and call for radical changes. Many others believe that envious foreign governments are indulging in unwarranted "Japan bashing" and argue that Japan should either ignore them or, when sanctions are applied, retaliate strongly.

Mr Susumu Nikaido, one of the candidates to succeed Mr Yasuhiro Nakasone as prime minister later this year, says the atmosphere of US-Japan relations reminds him of the 1930s when he was studying in Los Angeles. Others too talk of a "taisenzenya" (eve of war) feeling in the air.

Mr. Nikaido blames Japan entirely for the breakdown, because of its "apathy to its international roles" and because the Government has "failed to fulfil its commitments both domestically and internationally.

But others take a tougher line. Mr Kazuo Aichi, a rising star in the ruling Liberal Democratic Party (LDP), argued recently in an article that Japan is now big enough that it does not have to take being pushed around by Western countries. Mr Aichi said Western countries would have to learn to coexist with the Japanese way of doing business—which he claims is Asian, not just Japanese—rather than expecting Asians to conform with Western practice.

However, it is difficult to avoid the conclusion that Japan alone is out of step—unique in its insensitivity to the needs of others in the world. In no other industrialised country do imports account for such a small portion (5 per cent) of consumption. No other leading country provides so few of its senior officials for the managing of international institutions.

Being a small country with few natural resources and no military power, Japan has little choice but to change its various ways. "There is no future for Japan—no future for our children—unless we embark on this path." Mr Nakasone said in the Diet earlier this month.

The real question is how change will come about. Analysts of the Japanese system have great difficulty in seeing how the country's decision-making processes, which are designed exclusively to maintain harmony at home, can be made to produce harmony with the outside world. And even if they do, will they do so at the expense of that internal harmony which, in its ability to produce sound order and respect for the law, is the envy of the Western world?

Japanese leaders have already made considerable efforts. There have been "action programmes" to stimulate imports, a widely hailed study by a group of wise men last year (the Maekawa report) calling for a restructuring of the economy to de-emphasise exports, an enhanced commitment to help the developing countries and an attempt to reform the country's tax structure.

So far, these efforts have not borne much fruit. The tax reform package, for example, which would have promoted consumption and removed huge incentives for savings, had to be withdrawn from the Diet in April because of the objections of the opposition parties. In Japan, even though the ruling political party has a large majority in parliament, it would rather maintain harmony there than push through difficult legislation, though in this instance there was much discontent with the tax package among Liberal Democrats.

But harmony may no longer be possible for Japan. While political leaders seem as yet unable to respond, the financial markets have been moving according to their own inexorable rules, pushing the value of the yen up more than 80 per cent against the US dollar in the past two years. Thus, a de facto decision has been taken, that manufacturing industry should bear most of the burden of righting the country's international economic position. But manufacturing industry is so important to Japan that it is dragging down the economy as a whole.

According to the Nikko Research Center, total sales revenues of 570 leading companies listed on the Tokyo Stock Exchange in all industries last year declined 10 6 per cent, the first such decline in 32 years.

Mature industries, such as coal, steel, shipbuilding and textiles, have been forced to accelerate rationalisation programmes because their customers can no longer afford to support them through a more humane—and harmonious—readjustment period. The official unemployment rate has reached a post-war record of 3 2 per cent and is likely to double in the next few years, according to some economists.

Average figures mask the inevitably inequitable distribution of hardship. Some industries and some regions are hurting much more than others. And in the midst of the industrial misery, the financial sector is booming, bringing fantastic growth and earnings in the Tokyo area.

All these developments are putting significant new strains on the country's delicate social fabric. Hard-hit regions like Hokkaido and Western Japan, for example, resent the central Government's continuing reluctance to stimulate the economy for fear of causing inflation.

The way forward seems remarkably straightforward. The Maekawa report and other prescriptive studies all point to the enormous potential for expanding domestic demand, which would be a way of diverting manufacturers from emphasis on exports. They observe that the country has, by virtue of

Continued on next page

Politics

Fireworks ahead over successor to Nakasone

JAPAN'S POLITICAL scene will change significantly in appearance in the next few months as Prime Minister Yasuhiro Nakasone's extended term in office comes to an end, but the political system is likely to go on resisting major change for some time.

That system is based on the idea that the Liberal Democratic Party—more a coalition of interest groups than a political party in the Western sense—should retain power and manage the country in a way that maintains reasonable harmony while providing considerable benefits for party members.

The LDP would appear to be in a strong position to maintain its 30 year grip on power for some time, having won 308 of the 512 seats in the lower house of parliament in last July's general election, and 144 of the 252 seats in the upper house.

In the medium term, its comfortable existence is likely to be upset by greater internal tensions than in the past as the interests of some of its members, notably farmers, become more difficult to reconcile with those of others, such as consumers.

However, for the immediate future, the party is expected to hold together and maintain the policies of the current Government. In particular, regardless of who becomes the new party leader and prime minister, it is almost certain that the thrust to make Japan's economy more orientated to domestic demand and less reliant on exports will be pursued vigorously.

Meanwhile, the leadership election itself could provide some fireworks. With only three months to go to the poll, not only is the outcome of this battle difficult to predict, there is also uncertainty about how it will be waged.

This is because the rules of the LDP provide that if more than three candidates enter the race, then a primary election must be held among all the roughly 2.4m members of the party in advance of the final election by LDP Diet members only.

The three leading candidates are:

- Mr Noboru Takeshita, finance minister in Mr Nakasone's cabinets between 1982 and 1986 and now secretary general of the LDP.
- Mr Shintaro Abe, foreign minister in Mr Nakasone's cabinets between 1982 and 1986 and now chairman of the LDP executive.
- Mr Kiichi Miyazawa, currently finance minister.

It was generally expected that these three would have the arena to themselves, although none of them inspires much confidence either among party members or the Japanese people at large.

However, Mr Susumu Nikaido, 77 an LDP elder statesman, has thrown his hat in the ring, and is resisting pressure to withdraw. Mr Nakasone himself is given a marginal chance of retaining his job, but only if the leading candidates somehow become discredited in the next few weeks, and a draft Nakasone campaign forms.

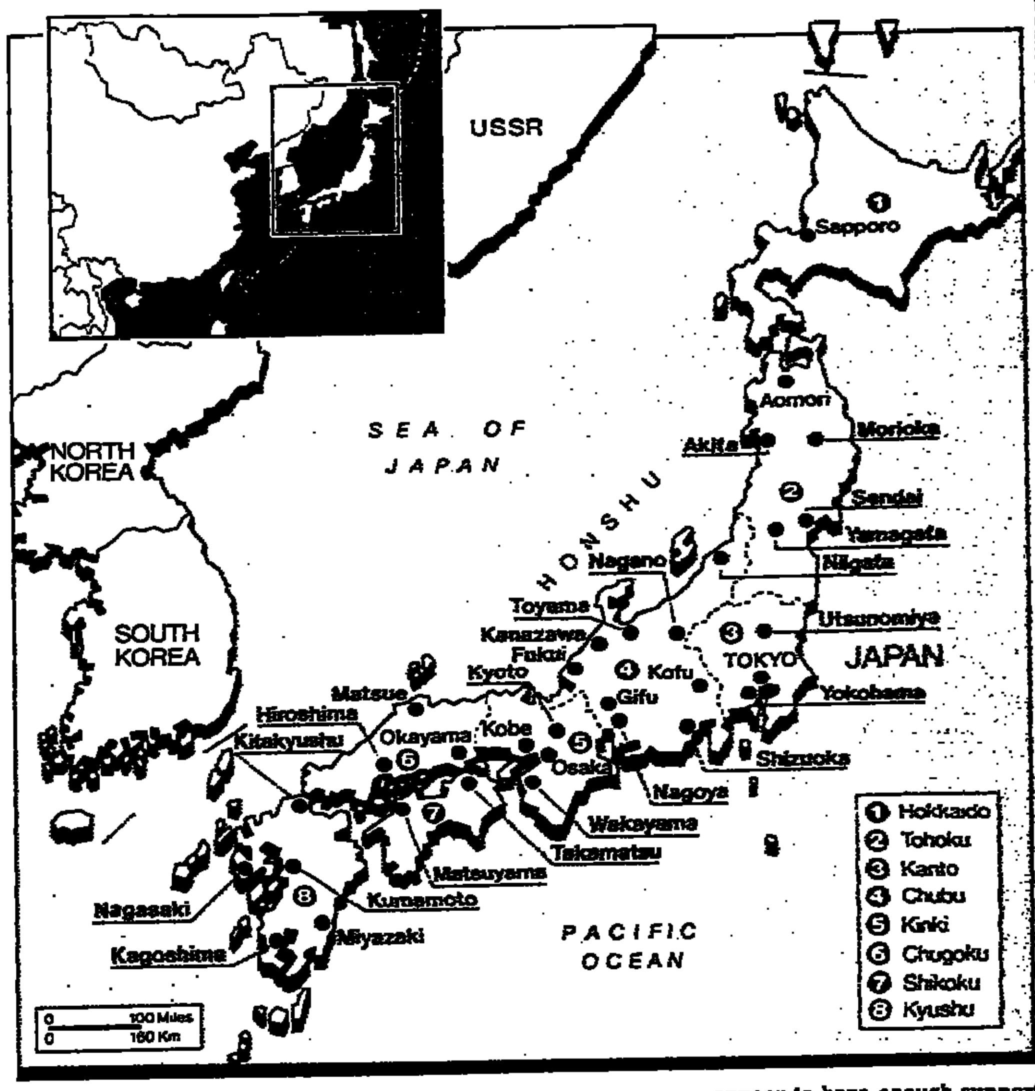
The potential for pitfalls is unusually large because the campaign will be waged, at least in part, while an extraordinary session of the Diet takes place.

The session has been called first and foremost to pass the supplementary budget which will finance the Y6,000bn stimulation package announced by the Government last month.

However the LDP leadership is also hoping to resurrect its tax reform legislation which had to be abandoned in the last session in April because of the stout resistance of the opposition parties.

The importance of the tax reform—involving the introduction of a value added tax to offset already agreed reductions in income and corporate taxes—can hardly be exaggerated.

In substance, it may be only a first step in an attempt to restructure a tax system that is now heavily biased against urban, salaried families. But it has taken on a symbolic importance as well, becoming part of the Nakasone Government's assurances to the US and other allies that Japan was committed to bringing its economy more into harmony with that of other nations.



Naturally, those assurances mean nothing to groups benefitting from the existing tax structure—farmers, small businesses, retailers—and so they have not hesitated to put up a strong fight against reform.

Mr Nakasone, who has no close attachments in these groups, is impatient to get on with reform, as are the bureaucrats. The leading candidates to succeed him are less enthusiastic, but they are also well aware of the inmportance of Japan's international obligations.

Thus, they are in the uncomfortable position of knowing that attempts to please the US could compromise their political support and vice versa.

The LDP being a coalition, members usually vote with their factions. However, no one faction has an absolute majority within the party, and so a decision is usually reached as a result of alliances of convenience being formed among the factions. Ideology has little or no part to play in any of this horsetrading.

Until recently, the faction line up in the Diet was as follows: the Tanaka faction (of which both Mr Nikaido and Mr Takeshita were leading members) had 141, the Miyazawa faction had 88, Nakasone 87, Abe 83 and others 47.

It was widely expected that the Tanaka faction, which has not supplied a prime minister since Mr Kakuei Tanaka was forced out of office in 1974, would have the honour this time, and Mr Takeshita would be the man. However, Mr Nikaido's decision to run and to insinuate that Mr Takeshita would not be a welcome candidate for the faction, has upset all that. Mr Takeshita has set up his own faction, and taken about 113 of the Tanaka faction Diet members with him.

These moves have made the outcome much more unclear than it might have been. At first glance, Mr Nikaido does not appear to have enough support to qualify as a candidate (50 Diet members' signatures are needed). However, in cases like this in the past, signatures have been "lent" by those who would like to see the race opened up to the general membership. This might be the case, for example, for some diehard supporters of Mr Nakasone.

Mr Nakasone could well play a key role, having enough support to provide Mr Takeshita with his majority. However, it is not clear whether Mr Nakasone, who owes his rise to power to Tanaka faction support, will feel more loyalty to the rump of that faction or to the 113 who have gone with Mr Takeshita.

Thus, the form of the election process may not become clear until October 7, the deadline for qualified candidates to be submitted. If there is to be a primary, it will be held by postal ballot and concluded by October 27. The three strongest candidates in the primary would then advance to a run-off election among LDP Diet members only on October 30.

Mr Takeshita is still in the strongest position, having the largest single faction. Also, Mr Abe has indicated that his faction would be willing to support him. However, that still leaves him short of a majority.

Ian Rodger

High price of success

Continued from page 1

its economic success, vast wealth to spend on domestic development, if only given the opportunity.

However, while the recipe may be clear, the possibility of using it is not. The key to the redevelopment of Japan lies in land. If more land could be made available, governments could build more roads and railways so more people could travel in comfort. Also, the cost of buying a house would come down and people would build bigger houses and buy more consumer goods, including imported goods.

But Japan's tight land supply is unlikely to ease for some time. Farmers and other landholders are resisting the tax reforms that would make it more difficult for them to hold on to underused land. And farmers form the foundation of support for the LDP.

To date, the LDP leadership has shied away from tackling its privileged supporters, and until recently, that was possible because the privileges were marginal when everyone was struggling hard to build up the country.

Now that the gaps between the privileged and the less privileged are becoming wider and more obvious, social tensions may be expected to rise and the LDP may become bolder.

The recent agreement to lower the official price of rice this year by 5.9 per cent—the first such reduction in over 20 years—reflects the government's growing sensitivity to rising consumer impatience with farmers.

Japan tends to respond to sudden nasty shocks more than to reasoned arguments for gradual change. The freeing of the dollar in 1971 and the oil crises of 1973 and 1979 galvanised the country into action in ways that no amount of cajoling by progressive elements within the country or criticism from abroad could have done.

The country is being rocked by some rather large shocks these days, but in many parts of the country, as articles in this survey make clear, the need for change is still scarcely recognised.

Ian Rodger

Economy

Achieving a soft landing for the soaring yen

"DON'T TAKE the sob stories too seriously," was the tip of one senior diplomat in Tokyo who follows the Japanese economy closely. It is advice well worth taking.

Foreign economists and pundits, who these days arrive in Tokyo by the plane load, all too easily convince themselves that Japan's room for manoeuvre has been cruelly curtailed.

On the one hand, the strong yen is apparently choking the life out of Japan's export-driven manufacturing sector. On the other, a plethora of "structural rigidities," including high agricultural subsidies, a moribund retail distribution system, and tax policies that encourage the inflation of land and property values, are supposedly compromising the Government's efforts to stimulate the domestic economy.

There is, of course, a kernel of truth in both complaints. The super-charged yen has caused manufacturers to rethink their strategies and the much publicised rigidities are certainly grit between the cogs of Japan's complex demand management machinery. But there is little reason to suppose that the supremely logical and pragmatic bureaucrats who run the Japanese economy cannot handle these problems.

The rigidities, after all, have been around for a very long time and have not got in the way of sustained growth over four decades. If the domestic economy is sick today, it has an illness that other less fortunate economies might well want to catch.

Consumer price inflation, after all, is slightly negative even if asset prices are rising at an alarming pace. And real domestic demand has been expanding at an annual rate of 4 per cent during the past two years of Japan's mild "growth recession," which is hardly discreditable. The domestic growth looks unlikely, suddenly, to slow down, whatever the forecasts of the Organisation for Economic Cooperation and Development.

Some sectors, such as private housing investment, which is expected to expand by about 17 per cent in 1987, are enjoying a boom.

What about the dark side of Japan's so called "dual economy": industrial output and exports? Industrial production did fall by a marginal 0.3 per cent in 1986, but that followed growth of nearly 16 per cent in the previous two years. Exports declined by 5 per cent, but again that followed runaway real growth of nearly 23 per cent in 1984 and 1985. Both are likely to grow in real terms, if not this year then in 1988.

Mr Nobumitsu Kagami, the managing director of Nomura Investment Management, is not atypical in declaring that the yen's sharp appreciation did "less damage than we expected." He argues that Japanese companies' adjustment to currency appreciation has proceeded "much more rapidly" than had been expected.

The flexibility of the workforce has been a crucial factor, with unions accepting very low pay increases despite the huge profits made by companies in the two years preceding the yen's take-off.

A strong yen, remember, is not an entirely new phenomenon for Japan. Between 1976 and 1978, the yen appreciated as rapidly in real terms as it has between 1985 and 1987.

On a purchasing power parity basis, according to calculation by Goldman Sachs, the yen was about 20 per cent "overvalued" at its peak in 1978—almost precisely the degree of overvaluation seen today.

The economy also displayed a similar duality in the late 1970s, with net exports declining and domestic spending relatively strong.

The difference, of course, is that this time the strong yen seems to be here to stay. The degree of pressure on exporters depends largely on whether they are selling relatively low-tech goods to developing countries or more sophisticated products to other industrial economies.

About 60 per cent of Japan's exports go to advanced countries as against 30 per cent to less developed countries (LDCs).

Mr Masahiko Koido, chief economist, Sumitomo Bank: a high opinion of the Government's measures

The big manufacturers claim that a fair value for the exchange rate would be about Y160-170 to the dollar. Senior officials at the Economic Planning Agency argue that this is true only for those trading with the LDCs. Manufacturers exporting to the advanced countries are competitive at around Y140 partly because of the significance of non-price factors in overall competitiveness.

Among other structural adjustments, the strength of the yen is already resulting in a well-publicised surge in Japan's direct overseas investment. "Two years ago," points out one diplomat in Tokyo, "the idea that Japanese companies with overseas operations, such as Honda, would be re-exporting back to Japan would have been unthinkable."

But economists are now confident that the trend will continue. Mr Susumu Taketomi, senior economist at the Industrial Bank of Japan, forecasts, perhaps conservatively, that the share of manufacturing production overseas will rise from 3.5 per cent in 1984 to 8.7 per cent in 1990. This represents a cumulative rise in overseas investment of some Y11 trillion to Y12 trillion.

Mr Taketomi believes that the geographical shift in production will be instrumental in ensuring that Japan achieves a "soft landing" after the storms of currency appreciation.

Foreign observers however, have shown comparatively little interest in the often trenchant response of Japanese companies to the pressures unleashed by the strong yen and the unacceptably large trade surpluses. For them, changes—or the lack of them—in the Government's macroeconomic policies have been the real test of Japan's willingness to adjust.

Japan scores about a "B" for effort. Monetary policy, by any standards, has been loosened significantly. The Bank of Japan, in the absence of international pressures, would clearly not have sanctioned double digit money supply growth at a time of zero or negative consumer price inflation. Indeed, it worries that the reduction of interest rates and expansion of liquidity that was necessary to prevent an even more disruptive appreciation of the yen has helped fuel the runaway stockmarket and property boom.

In the opinion of many private economists, Japan has relied far too heavily on monetary policy to sustain growth of nominal demand during the "growth recession." This has reflected the Ministry of Finance's refusal (until recently) to contemplate a significant loosening of fiscal policy.

The MoF's view is that deficit financing was excessive in the 1970s, that the debt-servicing burden on central government (around 20 per cent of revenue) is still excessive and that demographic trends (the rapid ageing of the population) will impose great strains on public finances in future decades.

Throughout the 1980s, it has been steadily tightening fiscal policy; the general government deficit has fallen from almost 4 per cent of GNP in 1981 to well under 1 per cent today.

The enthusiasm for fiscal consolidation remains relatively undimmed despite the Y6 trillion package of stimulatory measures unveiled as a peace offering for the Venice economic summit. Shortly after returning from Venice, Mr Toyoo Gyohten, a vice minister at MoF, was asked whether, if the rest of the world did not exist, he would still back the stimulatory package.

He chuckled at the thought of a world without President Reagan or Mrs Thatcher and then said "No:" if external pressures could be ignored, fiscal consolidation would be the right path for Japan. The economy, he said, had already passed a cyclical trough and would be picking up of its own accord from now on.

Many foreign economists remain sceptical that the Y6 trillion package—which supposedly consists of Y5 trillion of "extra" spending and Y1 trillion of tax cuts—will amount to much. They recall many previous stimulatory packages that proved largely illusory.

For example, a promised Y3.6 trillion boost to public spending last fiscal year ended up as a meagre net spending increase of just Y400bn.

To be fair, this year's package seems different. Japanese private sector economists appear confident that it will boost growth. Mr Masahiko Koido, chief economist at Sumitomo Bank, for example, says he has a "very high opinion" of the measures and predicts that they will raise the growth rate this year by 1.1 percentage points.

Analysts at UK and US securities firms in Tokyo are more cautious, but even they talk about an effective stimulus of around three quarters of a percentage point in a full year.

Higher public works expenditure, of course, will do next to nothing to curb the current account surplus, which at $86bn year is last still infuriating Japan's trade partners. Trade flows, measured in volume terms, long ago began to adjust to the yen's strength; recently, even the monthly, dollar-based current account figures have revealed a slightly declining surplus.

Yet forecasters remain extremely cautious. The OECD last month gloomily predicted that Japan's current account surplus would be running at an annual rate of $88bn even in the second half of 1988.

The evolution of the current account is undoubtedly the key to Japanese economic prospects. If the gradual improvement continues and currency markets remain relatively stable, a modest cyclical economic recovery could gain momentum.

If it does not, and the yen ratchets higher, then Japan may for once begin to deserve a little international sympathy.

Michael Prowse

The Bank of Japan in Tokyo

Mr Nakasone: unveiling bold initiatives on aid

Aid obligations are beginning to be taken seriously

Plan to recycle $20bn of surplus

AID FOR THE Third World has hardly been one of Japan's main priorities during the post-war decades. In development circles, it has acquired a reputation for miserliness.

Its ratio of overseas development assistance (ODA) to GNP, only 0.29 per cent in fiscal 1985, has long been one of the lowest in the industrial world and is far below the target of 0.7 per cent set by the UN in the 1970s and reluctantly endorsed by world leaders at the Venice economic summit in June.

The reputation for foot-dragging on aid, however, is beginning to look seriously out-of-date. In the past year Japan has started to come to terms with its enhanced status as an economic superpower and is taking its international obligations much more seriously.

Mr Yasuhiro Nakasone, the prime minister, has unveiled a series of quite bold initiatives, the most ambitious of which is the plan to recycle some $20bn of Japan's prospective current account surplus to Third World countries over the next three years.

He is also planning to accelerate a planned expansion of the more narrowly defined ODA programme. Aid expenditure was to have been doubled over a seven-year period—from $3.9bn in 1985 to $7.8bn in 1992.

The doubling is now to be achieved by 1990. However, this expansion is much less impressive than it sounds because of the enormous appreciation of the yen in the past two years.

Indeed, on reasonable assumptions about Japanese GNP growth between now and 1990, it is possible that the ratio of ODA to GNP will not rise noticeably.

Mr Hideaki Domichi, the deputy director of aid policy at the foreign ministry, argues that this is irrelevant. What matters in his view is the real rate of expansion of ODA flows.

The Japanese economy's rapid growth has ensured that its aid expenditure has risen rapidly in real terms even if the ratio to GNP remains low. No other country, he points out, would contemplate doubling their ODA spending in dollar terms.

The quality as well as the quantity of Japanese aid has been heavily criticised in the past. Mr Domichi concedes that the proportion of pure grants as opposed to concessional loans has been too low and that the geographical distribution of aid is uneven with 70 per cent going to Asia and 10 per cent each to Africa, the Middle East and Latin America.

But he argues that both characteristics of Japanese ODA have a historical rationale.

The larger role of grants in UK and European aid programmes is partly a legacy of their colonial past and their focus on Africa, a region which is frequently incapable of servicing even concessional loans.

It was natural when Japan emerged from post-war poverty to concentrate its development assistance on nearby Asia and to try to complement the existing aid programmes of then richer industrial countries.

Many of the Asian economies were already getting sufficient pure grant aid and were strong enough to service concessional loans from Japan which was itself in the early 1960s still a World Bank client.

But things will change in the future: the grant element is set to rise and the share of Asia in aid flows to diminish. Another of Mr Nakasone's initiatives, after all, is to set aside $500m over the next three years as pure grant assistance for the very poorest development countries—mainly sub-Saharan Africa.

Japan says it is also looking constructively at UK proposals for limited debt relief on existing loans to the region.

Mr Domichi strongly rejects the popular charge that Japanese aid and trade are too closely linked. Aid is not merely another arm of commercial policy, he maintains, because around 60 per cent of Japanese ODA is completely "untied"—a higher proportion than in most other OECD donor nations.

Japan is also criticised for not pulling its weight in personnel terms in multinational institutions. Mr Barber Conable, the World Bank president, is known to have wanted to appoint a Japanese senior vice president as part of a recent managerial overhaul, but a suitable candidate could not be found.

In defence, the ministry of finance in Tokyo claims that Japan would like to supply more high-level staff but that there is an acute shortage of senior staff with the necessary linguistic and technical skills.

In the longer-term, the problem should disappear as large numbers of junior employees in both the public and private sectors have the necessary qualifications even if they presently lack experience.

The proposed recycling of $20bn of Japan's current account surplus to developing countries comes on top of a previously announced $10bn package for the Third World consisting mainly of subscriptions to multilateral institutions, including the World Bank's IDA, agreed at last autumn's IMF annual meeting.

Officials stress that the $20bn represents new and completely untied cash. The recycling is to be achieved by making further contributions to the multilateral development banks and by "mobilising the resources of the Export-Import Bank of Japan, the Overseas Economic Co-operation Fund and the private sector."

Although the funds are to be raised mainly from the Japanese private sector, for example, through World Bank bond issues in the Tokyo market, they will be disbursed by government agencies or supranational institutions.

Private sector banks are not going to be forced to make direct loans. As a result, finance ministry officials claim that the initiative is not vulnerable to a reluctance on the private sector's part to increase its exposure to heavily indebted Third World borrowers.

The recycling plan has provoked two opposite reactions. On the one hand, some sceptics, conscious that Japanese domestic packages hve sometimes failed to materialise, wonder whether the $20bn will actually reach the Third World in the timespan promised.

They also ask whether the multilateral institutions can find sensible uses for the sudden increase in their funds.

The opposite reaction is that the plan, while a step in the right direction, is quite inadequate to the needs of the world economy.

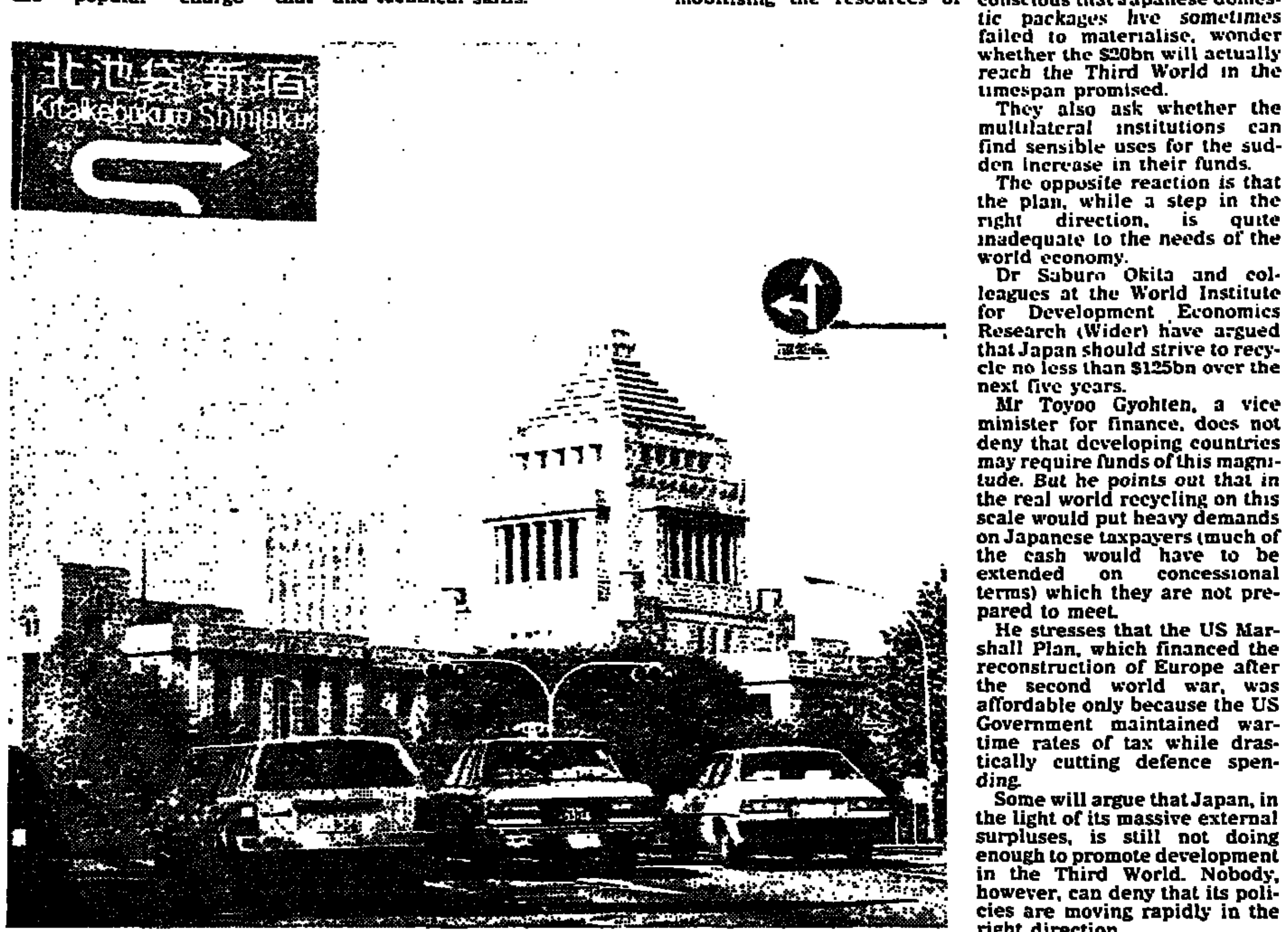
Dr Saburo Okita and colleagues at the World Institute for Development Economics Research (Wider) have argued that Japan should strive to recycle no less than $125bn over the next five years.

Mr Toyoo Gyohten, a vice minister for finance, does not deny that developing countries may require funds of this magnitude. But he points out that in the real world recycling on this scale would put heavy demands on Japanese taxpayers (much of the cash would have to be extended on concessional terms) which they are not prepared to meet.

He stresses that the US Marshall Plan, which financed the reconstruction of Europe after the second world war, was affordable only because the US Government maintained wartime rates of tax while drastically cutting defence spending.

Some will argue that Japan, in the light of its massive external surpluses, is still not doing enough to promote development in the Third World. Nobody, however, can deny that its policies are moving rapidly in the right direction.

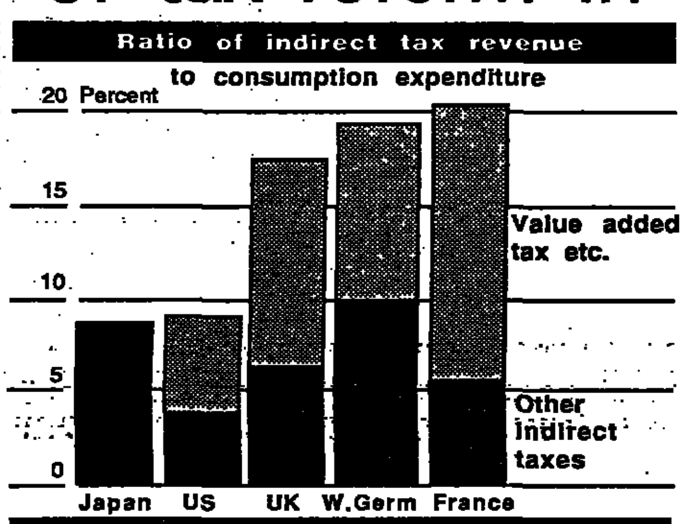
Michael Prowse



Japan's Diet (Parliament) inflicted a humiliating defeat on a tax reform package

Fiscal policy

Future of tax reform in doubt



Japan;FY 1987 assuming no sales tax,other countries calender1985
NB.Figures for US & Japan include local taxes

ASK A JAPANESE tax expert what needs to be done to modernise the nation's moribund tax system, and he will talk eloquently for half an hour. Ask him what is likely to be achieved in the near future, and he will gaze at the wall.

The embarrassment is understandable. Tax reform for the Ministry of Finance (MoF) has long been synonymous with the introduction of a broadly based indirect tax—something along the lines of the value added tax levied throughout Europe.

Yet earlier this year, the controversial sales tax championed by Mr Yasuhiro Nakasone, the Prime Minister, as part of a wider reform package, was scuppered by the opposition parties, who refused even to discuss it in the Diet.

Mr Nakasone's humiliating defeat has thrown the whole future of tax reform in Japan into doubt. The ruling Liberal Democratic Party and the opposition parties have formed a joint study group to discuss options for a tax reform bill that may reach the statute book later in the summer.

But few observers are willing to speculate on its contents and fewer still expect much radicalism.

The Japanese tax code is still based on a set of proposals put forward by Professor Carl Shoup of Columbia University in 1949. The Shoup blueprint served Japan well during the post-war reconstruction period but in the view of many experts has long lost its relevance.

Japan is no longer a poor country striving to rebuild its capital stock but one of the world's richest and most advanced countries.

The finance ministry points to four main flaws in the present tax structure. It argues that the country is excessively dependent on direct as opposed to indirect taxation; that the tax burden on companies is too high; that the tax breaks for personal saving are too generous, and that marginal tax rates on all forms of income are too steep.

The reform plan put forward by Mr Nakasone last December attempted to remedy all of these faults.

International fiscal comparisons certainly bolster the finance ministry's argument. Direct taxes account for 74 per cent of tax revenue in Japan compared with 57 per cent in the UK, 51 per cent in West Germany and 41 per cent in France.

(The US is even more reliant than Japan on direct taxation because it too lacks a broadly based consumption tax, but this is seen as a source of weakness rather than strength.)

Japan is even more out of line on corporate taxes: revenues from companies account for 28 per cent of total receipts compared with 14 per cent in the US, 9½ per cent in the UK and 8½ per cent in West Germany.

And it unquestionably leads the world in tax privileges for small savers. In 1986, more than 70 per cent of personal savings were tax exempt. Many individuals gain tax concessions on multiple small savings accounts.

The loopholes have provoked heavy criticsm from Japan's trading partners who believe that an excessively high personal savings rate is the root cause of Japan's massive current account surplus.

Marginal tax rates are among the highest in the world. Taking account of local taxes, the top rates are 88 per cent on personal incomes and 56 per cent on corporate profits.

This looks severe by comparison even with the current UK regime, let alone set against the new low rates introduced in the US last year.

By international standards, the abortive reform package put forward by Mr Nakasone was modest. He wanted to introduce a broadly-based sales tax levied at a mild 5 per cent, impose a 20 per cent witholding tax on interest income, cut the top personal tax rate to 50 per cent (65 per cent if local taxes are added in), and reduce the maximum effective rate on companies to fractionally under 50 per cent.

Overall, the package was claimed to be "revenue neutral," with the cuts in personal and corporate taxes offsetting the sales tax and the new levy on savings.

Revenue neutrality, however, might have been only a short-term phenomenon. The finance ministry has made no secret of its medium-term aim of balancing the budget nor of its worry that an ageing population will impose intense strains on public finances in future decades.

Part of the hostility to the sales tax reflected a fear that such a powerful addition to the state's fiscal armoury would prove to be the thin end of a very unpleasant wedge. As Europe has discovered, the rate at which a value added tax is applied tends to rise once the tax is established.

The structure of Japanese industry also poses immense problems. There are more than 6m individual businesses; many very small and use rudimentary accounting techniques.

To keep down compliance costs, the finance ministry had intended to exclude the majority from the sales tax by imposing a turnover threshold of Y100m.

But this caused a furore because many small exempt firms would have had no VAT vouchers to pass on to their larger non-exempt corporate customers who would therefore not have been able to claim credit against their VAT bills for VAT already paid at an earlier stage in the production chain.

Many small companies thus felt they would lose out whether or not they were officially exempted from the new tax.

A better designed sales tax might have avoided these problems and left Mr Nakasone's political future looking a lot more healthy. Yet, as things stand, it is hard to see how the finance ministry will achieve its prime objective of a sizeable shift towards indirect taxation.

The other elements of the reform package are much less controversial. The flat rate withholding tax on interest income — much praised overseas as a means of taxing savings without distorting resource allocation in capital markets — appears to have a fairly good chance of being enacted at some stage.

Meanwhile the only obstacle to permanent cuts in income and corporate tax rates is the government's fear that they would be rash without the safety net of a VAT. This fear itself, however, looks irrational given the international pressure on Japan to continue loosening fiscal policy.

Michael Prowse

Finance and capital markets

Financial institutions become world leaders

HELPED BY the surge in the mighty yen over the past two years Japanese financial institutions have outstripped their European and US rivals to become the largest in the world.

Japan's four largest banks are now also the world's biggest and their external assets jumped $127bn to $345bn last year after adjustment for exchange rates, according to Bank of International Settlement figures. While banks in the UK and US had year-end external assets of $714bn and $469bn respectively, their rates of growth were much slower.

Meanwhile Japanese securities firms have come to dominate the Eurobond markets. In the first half this year Nomura, Daiwa and Yamaichi ranked one, two and three in terms of Eurobond lead manager volume, up from second, fifth and twelfth position respectively last year.

In the deregulated world capital markets Japan's financial institutions have proved their competitive strength backed by awesome financial muscle. For example, Nomura Securities, which towers above even its Japanese rivals, recorded pre-tax profits of Yen 495.7bn last year.

This success has helped fuel foreign demands for greater reciprocity in the Japanese domestic market. Japan's moves to deregulate and internationalise the Tokyo markets are characterised by a gradual step-by-step rather a "Big Bang" approach, but nevertheless they have far-reaching implications both for domestic financial institutions and the growing contingent of foreign rivals in Tokyo's financial district.

Among the actions already taken are:

- Progressive decontrol of interest rates on time deposits.
- Introduction of new money market instruments ranging from large denomination certificates of deposit to money market certificates, bankers acceptances and short-term government bills.
- Launching of government bond futures which have been so successful that, less than two years after their introduction, turnover already exceeds T-bond futures trading in Chicago.
- Abolition or significant easing of controls over yen-denominated foreign lending and on overseas investing by large institutions.

At the same time the Japanese authorities have begun opening up their domestic markets to foreign banks and securities firms. Today there are some 79 foreign banks in Tokyo, some of which have been allowed to set up separate securities operatons—a clear fudging of the Article 65, the Japanese version of the US Glass-Steagal rules designed to separate commercial and investment banking.

Foreign banks and securities firms have also been allowed into the government bond underwriting syndicate, to set up trust banking subsidiaries and enter the investment management business. Among the foreign securities firms, whose ranks have swollen from 10 at the end of 1984 to an expected 50 by year-end, six have been allowed membership of the Tokyo Stock Exchange.

The list of changes is impressive, but perhaps highlights what is still to be done. "Everything they said they (the Japanese authorities) would do they have done on time or ahead," says Mr Robert Binney, general manager of Chase Manhattan's Tokyo operations.

Mr Anthony Hodge, National Westminster Bank's chief manager for Japan, broadly echoes these comments but, like Mr Binney, adds that important changes must still be made. "What we are now looking for are changes in the Japanese domestic market practices so that they are more compatible with other major market conditions, and thus enable the foreign banking community to play its part in developing the range of produce expertise in Tokyo," he says.

Top of virtually every foreign bankers' "wish list" is the broadening and opening up of the Japanese money and interbank markets. "The single most important issue for foreign banks is the lack of effective short-term money markets," Mr Hodge says.

As a result foreign banks complain they are forced to go offshore for the bulk of their yen funding requirements and operate at a competitive disadvantage to their domestic counterparts who have access to cheap funds from their domestic retail networks and greater access to the interbank market.

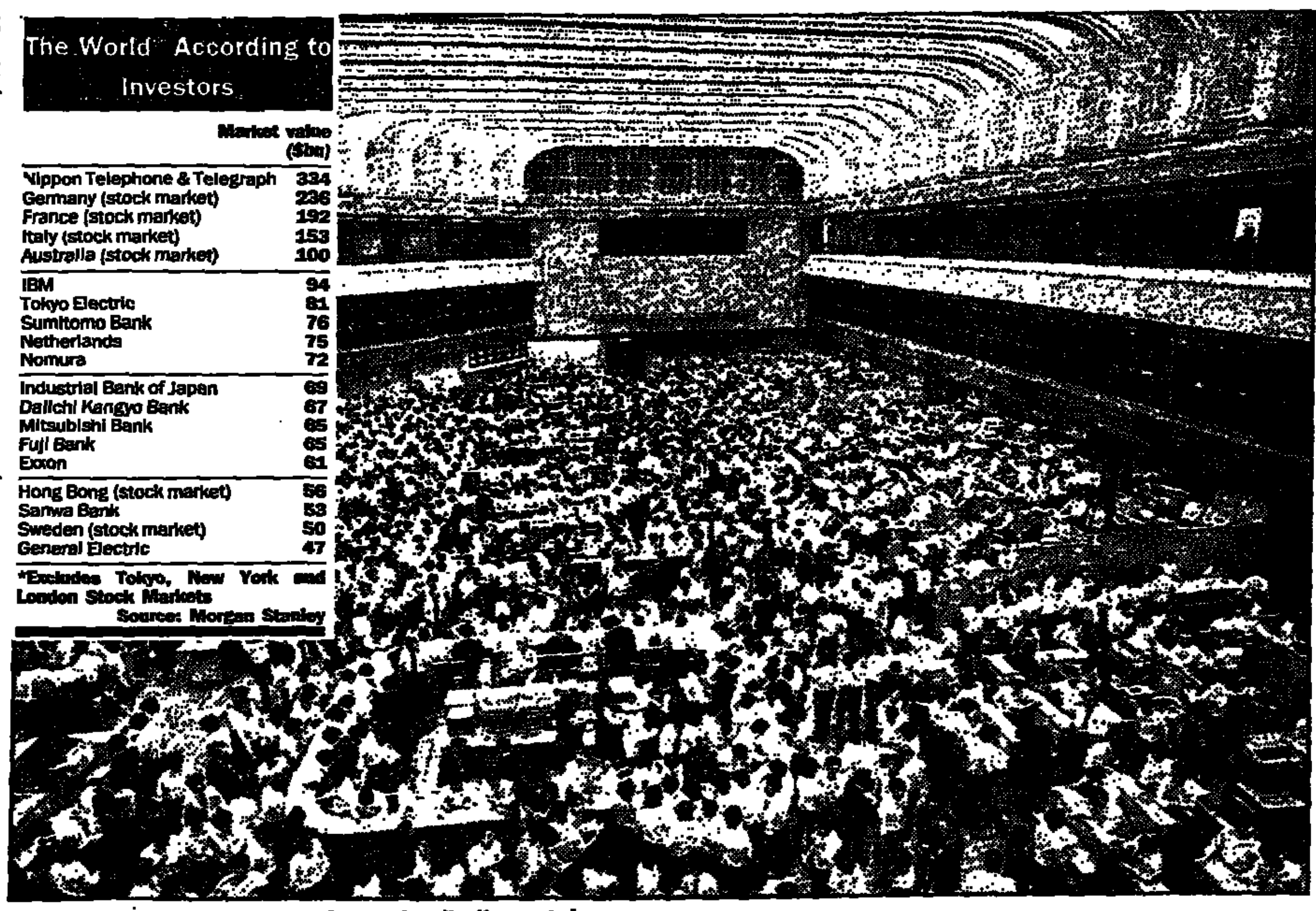
In testimony to the Japanese International Monetary Institution earlier this year Mr Binney noted: "In spite of the huge supply of Yen funds in Japan, foreign banks are virtually unable to tap this source of funds direct. Instead, Bank of Japan 'administrative guidance' requires that they go through middle men in the form of the six Tanshi brokers I do not believe this to be in the interest of the Japanese institutions who are placing these funds, or the foreign banks who are taking the funds."

The World According to Investors

	Market value ($bn)
Nippon Telephone & Telegraph	334
Germany (stock market)	236
France (stock market)	192
Italy (stock market)	153
Australia (stock market)	100
IBM	94
Tokyo Electric	81
Sumitomo Bank	76
Netherlands	75
Nomura	72
Industrial Bank of Japan	69
Daiichi Kangyo Bank	67
Mitsubishi Bank	65
Fuji Bank	65
Exxon	61
Hong Bong (stock market)	56
Sanwa Bank	53
Sweden (stock market)	50
General Electric	47

*Excludes Tokyo, New York and London Stock Markets

Source: Morgan Stanley



Tokyo Stock Exchange: greater internationalisation urged

This disparity between access to funds is reflected in the fact that Japanese banks have 25 per cent of all London-based lending, six to seven per cent of UK sterling lending and take about 40 per cent of the total funds borrowed in the London money markets. In contrast the total foreign banking community in Japan has less than 3 per cent of the market.

One key test of Japan's determination to develop more flexible short term markets will be the launching of a competitive commercial paper market—a move expected later this year.

Among the other changes which bankers in Tokyo say are necessary will be:—

- Removal of the remaining controls on interest rates and the so-called Maruya system of tax exemption, which has enabled the post office to garner more than Y100,000bn in cheap deposits, or over 32 per cent of private sector savings.
- Liberalisation of Japan's Offshore Market which has not been a marked success, in part because of bureaucratic restrictions.
- Introduction of a wide range of new products like options, stock index futures and other futures.
- Further opening up of the Tokyo Stock Exchange.

Many of these changes will be highly controversial, not least because they cut across the vested interest of established domestic financial institutions. This is particularly true of the internationalisation of the TSE.

After lengthy "consultations" the TSE is expected to endorse the expansion of its membership from the present 93—probably by about 15 with the bulk of the new seats going to foreign securities firms, later this year.

Like other deregulatory moves, the opening-up of the domestic equity market will be warmly welcomed by foreign participants, and will probably be achieved, as other steps have been, without major market dislocation.

But some are already giving warnings that a period of consolidation—similar to that predicted for the domestic banking market as it adapts to the new competitive environment—could follow. "There is simply not enough business to go around," says Mr Timothy Maxwell, S. G. Warburg's Tokyo branch manager. He expects a tiering of the market with room for four or five foreign firms in the top tier. Needless to say he is determined Warburgs will be in there.

More fundamental changes, including the ending of fixed commissions on the TSE and the eventual abolition of Article 65, will probably take longer to achieve. But, as Japanese and foreign market players acknowledge, deregulation has a habit of developing a momentum all of its own.

Paul Taylor

Research and development

Industry is main beneficiary

JAPAN'S ECONOMIC success of the past 20 years owes a great deal to the way it has poured resources into technology, much of which stemmed from ideas developed initially in the West. Now, Japan is trying to discover whether it can make truly original scientific breakthroughs that may bring into being new industries for the 21st century.

The country's record in research and development (R and D) has been nothing short of remarkable. Twenty years ago, Japan's laboratories were desperately underequipped and the country's industries thought of abroad as having a laughable standard of technical achievement.

Today, in absolute terms, Japan is after the US the world's second biggest spender on R and D—it overtook the Soviet Union in this regard in 1984, according to Japanese Government figures—and scientifically minded visitors to Japan come away stunned at the sophistication of the country's high-tech businesses.

Japan's total spending on R and D comes to about Y8,000bn ($57bn) annually, of which the government contributes only about 25 per cent, with the remainder spent largely by industry. The proportions are radically different from most other developed nations, where the ratio is more likely to be roughly 50:50.

The accent on industrial spending automatically pushes the R and D focus more toward the applied end of the research spectrum than is the case, for example, in the US or Britain.

Another way in which Japan is unusual is that it has a tiny defence industry. As a result, little of the R and D is related to military projects, whereas in the US, UK and France, defence research accounts for roughly a quarter of each country's R and D spending.

This state of affairs—which means that Japan's ratio of non-defence R and D to gross domestic product is, at 2.6 per cent, the highest in the world—can be looked upon as marvellously fortuitous for Japan's technology oriented industries.

To these industries' great benefit, the country's scientific and technical resources are almost exclusively directed towards projects of commercial significance, rather than tied up in the technological blind alleys which is what many military R and D programmes can resemble.

Although the growth of civilian-oriented research has been the spur to Japan's leap forward economically, the country's leaders are worried that Japan is not, in the main, addressing the most basic areas of science, in disciplines such as new materials, biochemistry and novel techniques of instrumentation.

The relatively poor performance in basic science is an automatic by product of the focus on industrial applications.

While the research centres of the big companies such as Fujitsu, NEC and Hitachi positively sparkle with the latest scientific equipment, university laboratories, the places where, in the West, the bulk of the scientific breakthroughs are expected to emerge, are generally rundown and underfunded.

Outside a group of about 12 elite universities—including Tokyo, Osaka, Kyoto, Tohaku and Nagoya—Japan's university system is, indeed, far more geared to producing well trained cadres of workers, who can be employed easily by industry, rather than to providing the facilities where new and innovative ideas may be developed.

The consensus-ridden nature of Japanese society, where individuals may be afraid to go out on a limb with a new theory that is not shared by other members of the group, also helps to foster this general approach.

The Japanese Government is attempting to do something about this imbalance, which it is feared could inhibit the country's industry from gaining the radically new scientific ideas which could drive on commercial activities in the next century. The Education Ministry has started a few programmes, backed by modest amounts of cash, to try and promote innovative thinking in university research.

Other parts of the Government, such as the Ministry of International Trade and Industry, are playing their part, by starting programmes intended to push back intellectual frontiers in specific areas of science and technology.

Continued on page 5

A tale of three cities and a region's future

Towards a key business centre

JAPAN'S Kansai region is making a bold attempt to recover its historically central position in Japan's commercial life.

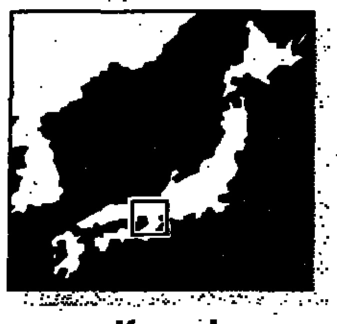
Several large *infrastructure* projects—and in particular the ambitious Y1,000bn Kansai International Airport—are under way, aimed at making the area nothing less than a key business centre for the Asia-Pacific region.

Kansai—literally, the Western gateway—used to be the hub of Japan. Three of the region's cities, Osaka, Kyoto and Nara, were successively the country's capital for long periods.

Osaka was the commercial and industrial centre of Japan until the early part of the twentieth century. *Kobe has long* been, alongside Yokohama, one of the country's main ports, and *still claims to handle the biggest* tonnage of container traffic in the world. Kyoto remains the principal repository of the country's cultural heritage.

By any measure, the region, which is made up of eight prefectures having a total population of 23m, is still economically significant. Kansai leaders like to point out that its output represents about 2 per cent of the world economy, roughly equivalent *to that of Canada.*

However, in the past century, and especially since the Second World War, Japan's economic development has shifted eastwards to the Tokyo region, leaving the Kansai in gentle but persistent relative decline.



Kansai
Western Japan

In contrast to the diversified economy in the region around *Tokyo, the economic structure* of the Kansai is based heavily on manufacturing and, in particular, on mature, export-oriented industries, such as tex*tiles, steel and chemicals.*

More than 40 per cent of Japan's textiles, 28 per cent of its steel and 25 per cent of its chemicals, come from the Kansai.

Thus, it is not surprising that the Kansai economy has been *hard hit by the rapid rise of the* yen, both in terms of the inability of Kansai industries to continue exporting, and the impact of rising imports of basic commodities on their domestic sales. Foreign visitors are struck by the sight of idle shipyards and extinguished blast furnaces around Osaka Bay.

The region has also lost its commercial imortance. Even *the leading Kansai rooted* companies, such as the C.Itoh and Sumitomo trading groups, have felt obliged to move a lot of their top management functions to Tokyo.

Kansai leaders have been struggling for years to find ways of putting new dynamism in the region, and it now looks as if the turnaround is at hand.

A series of major development projects, led by the new and controversial Y1,000bn Kansai international airport and the dramatic expansion of the port of Kobe, are aimed at making *Kansai an important* international business centre again.

Other large projects include the construction of a Kansai Science City near Nara for universities and research institutes, the Akashi Bridge linking Kansai with *Shikoku,* and the International Garden and Greenery Exposition to be held in 1990.

In anticipaion of an influx of foreign families, there is even a project to set up a 900-pupil international school near Osaka based on a British curriculum.

The region has achieved mixed results so far in trying to draw away economic activities from Tokyo. The Sanwa Bank, for example, made a valiant, but vain effort two years ago to convince the Ministry of Finance to allow offshore banking activities to be carried out only in Osaka.

On the other hand, the Osaka Securities Exchange won the *right to run the country's first* and, so far, only stock futures market.

There is frequent talk of demanding the transfer of some Government ministries from Tokyo to Osaka, but that seems unlikely to succeed in the near term. On the other hand, following strong representations from the Kansai and other regions, the National Land Agency's long-term development plan was recently revised to emphasise the need for decentralisation.

The region's other thrust is *international. " We believe that* our region should not serve Japan only, but should serve as *Kansai to the world,"* says Mr Osamu Uno, chairman of the Kansai Economic Federation, an association of business groups.

Kansai leaders believe their region should focus in particular on relations with other Asian countries. Mr Uno points out that nearly half of Japan's 800,000 foreign residents live in the Kansai area, and the vast majority of them are Asians.

Mr Yoshimasa Umemoto, cochairman of the Kansai Committee for Economic Development, says that over 70 per cent of Kansai's external trade is carried out with countries in Asia and on the Pacific Rim, a much higher proportion than the national Japanese average of 48 per cent.

"Kansai stays more open, more sensitive and more active in dealing with Asian connec*tions than any other region in* Japan," he says.

Development of the Kansai hinges on the revitalisation of its major cities, Osaka and Kobe. Like all urban areas in Japan, this one suffers from a paucity of available land for development. The Greenery Exposition, for example, is having to be built on a reclaimed swamp.

The two largest projects, the *new Kansai airport* and the expansion of Kobe port, are being achieved through land reclaimed from Osaka Bay.

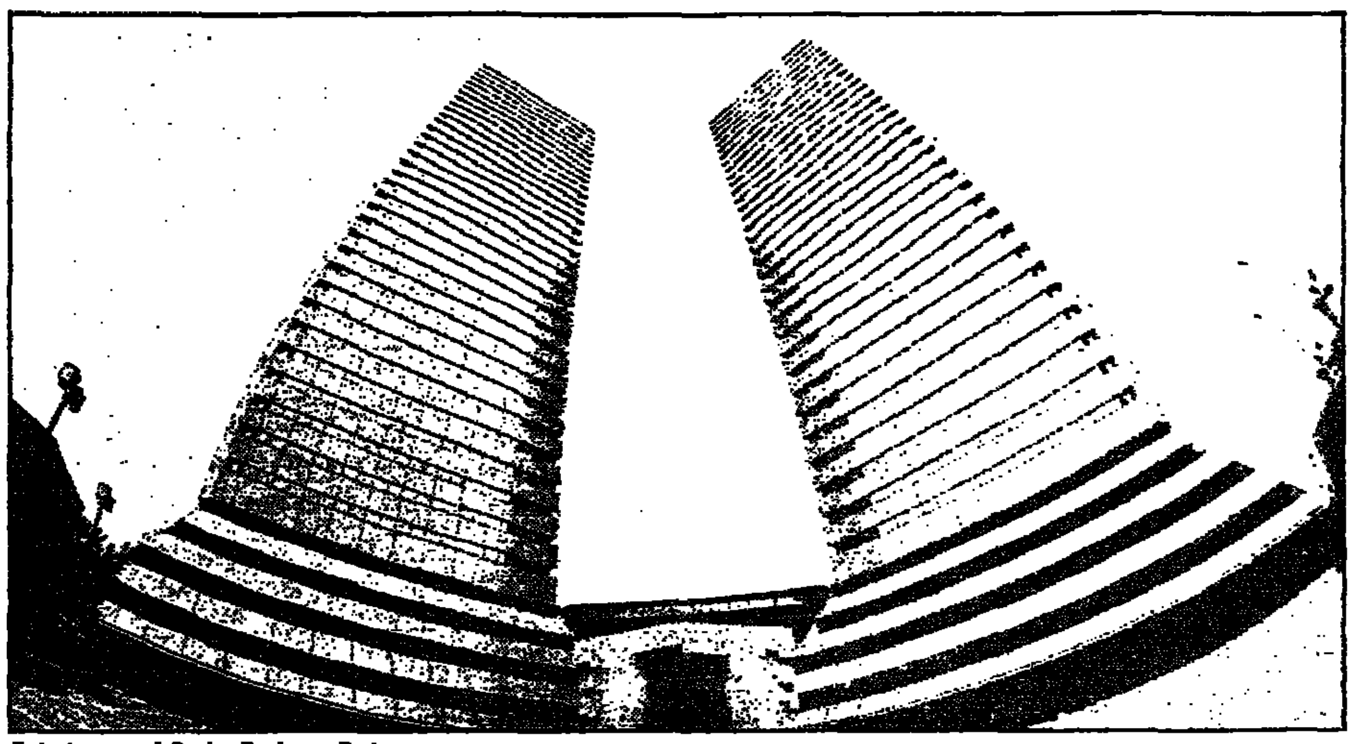
Kobe has already reclaimed 436 hectares from the bay to form an island, Port Island, on which it has built a combined port and residential area. A second, larger island, is now under construction at a cost of Y1,060bn, not only for port and residential facilities, but also *for indust ial sites.*

Despite the high capital cost of the project, property values are so high that the City of Kobe can and does sell much of the reclaimed land to developers and make a profit on it.

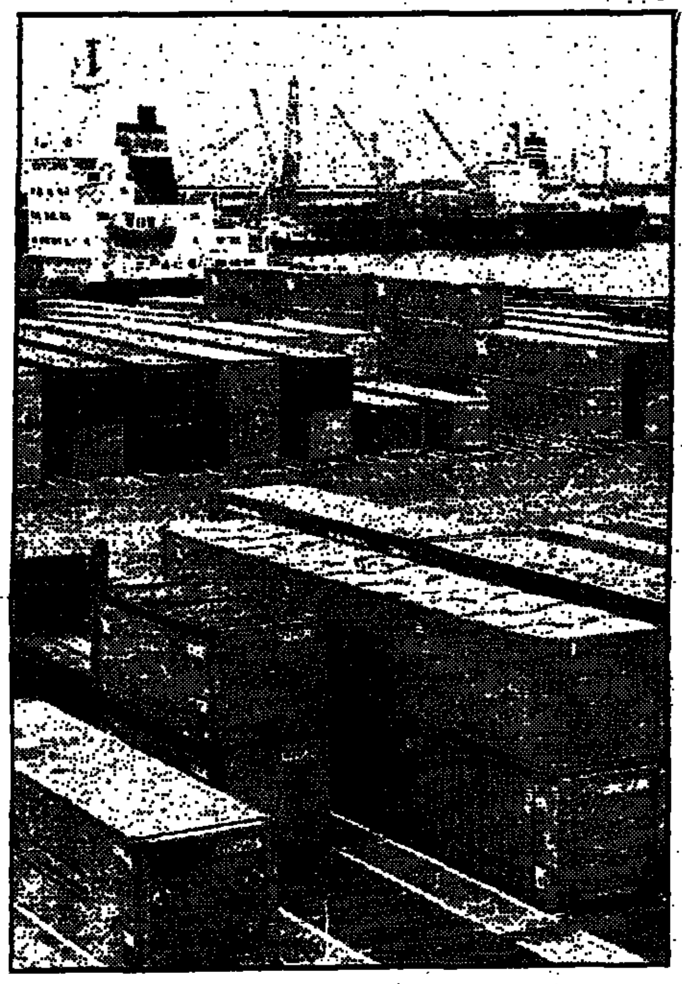
In Osaka itself, a new community of commercial skyscrapers, Osaka Business Park, is being built on the 26 hectare site of a former ammunition factory.

"We feel that *the economy* is turning around, even though it is not yet showing up in the statistics," says Mr Yoshinori Ohfuji, director of international relations for the Osaka Prefectural Government.

Ian Rodger



Twin towers of Osaka Business Park



The container terminal at Port Island, Kobe

Industrial projects are main beneficiary

Continued from page 4

A case in point is the 10-year fifth-generation computer programme, *which Miti is backing* with about Y50bn, bolstered by industry contributions of some Y15bn, which *is due to* coome up with a novel design of computers capable of rudimentary "*thinking*" along the lines of humans.

Companies themselves are also stoking up their basic research efforts, in some cases opening new pure science laboratories or, at the very least, giving their resarch staff more *time to* pursue uncoommissioned or innovative projects on top of those for which industrial applications are foreseen in the short term.

According to some commentators, companies, particularly in the highly successful electronics industry, will automatically push into new areas of pure science. The motivation for this will be, often, the fear that other countries (such as Taiwan or South Korea) are starting to catch up with Japan in some technical fields.

On top of these various thrusts, government officials are trying to change attitudes by encouraging younger people, in particular, to be more questioning about some of the basic questions of science.

"Offering opportunities to the younger generation designed to stimulate their scientific and technological curiosity has taken on growing importance for the development of science and technology in the coming decades," said a government white paper on science and technology, last year.

Despite, or perhaps because of all this activity, there is within Japan a certain amount of agonising over just how successful the country is likely to be in putting resources behind basic science. People continually emphasise the nation's poor performance in winning Nobel prizes in science—Japan has just four, compared with over 100 for the US—and they seem to think that Japanese researchers may be inherently less good at coming up with new ideas in pure science than researchers elsewhere.

The agonising is shared by foreign commentators such as *Mr Henry Ergas, a science and* technology expert at the Organisation for Economic Cooperation and Development in Paris.

In a paper last year, he said of Japan's new efforts in R and D: "It is presumably easier to set broad goals in the catching up stage of growth than in pushing beyond the state of the art... Up to now, Japan has not suffered from the weakness of its scientific base, but it may prove vulnerable to a blurring of the boundaries between pure and applied resarch."

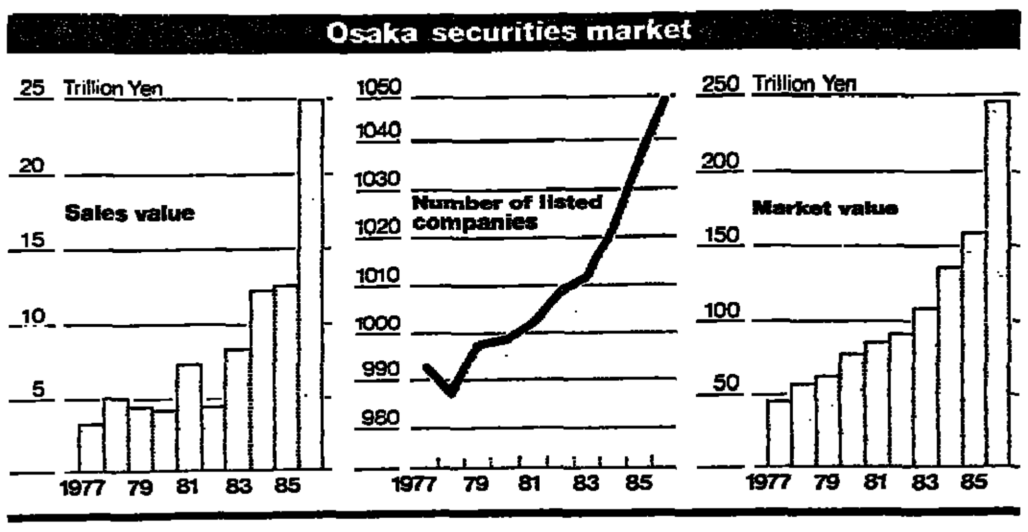
Other onlookers have fewer doubts. According to Prof Gene Gregory, an experienced observer of Japanese technology-based industry, the same factors, essentially managerial in nature rather than technological, that have caused the Japanese to be good at the applied aspects of R and D are also likely to lead to innovations in the more basic areas of science.

Prof. Gregory, who monitors business affairs from a post at Sophia University in Tokyo, *says in a recent book* that there* is within Japanese industry "a clear and common recognition that the need for innovation is over-riding. In the place of technophobia which plagues other advanced industrial societies, there is a broad consensus on the fundamental notion that only through improvement of the technological level can Japan's basic resources, human and capital, be made more productive."

**Japanese Electronics Technology: Enterprise and Innovation, by Gene Gregory, Japan Times, Tokyo.*

Peter Marsh

Osaka securities market



Osaka Stock Exchange

World's third largest seeks new frontiers

IT IS always difficult to be number two, and the Osaka Securities Exchange appears to be condemned irrevocably to that role.

No matter that it is the third largest stock exchange in the world, bigger than those in London, Frankfurt and Toronto. Last year, the value of trading on the OSE was about $157.3bn compared with $1,374.4bn in New York, $819.6bn in Tokyo and $113bn in London.

Of course, a lot of the OSE's activity is spillover from prices and trends set on the Tokyo exchange — 80 per cent of the 1,050 OSE listed shares are also listed in Tokyo, and the OSE's daily volume is only about 15 per cent of Tokyo's.

Although Osaka was at one time the financial and commercial capital of Japan, that title has long since gone, apparently forever, to Tokyo.

The OSE's proportion of Japan's total share trading tumbled from 28 per cent in 1949 when stock exchanges reopened after the war, to a low of 10 per cent in 1982.

But the OSE has its strengths. For example, there are at least 100 Japanese companies of national stature, the shares of which are traded more actively in Osaka than in Tokyo.

And the OSE now has an aggressive group of directors who want to see it become more important and who have taken steps to win back a couple of percentage points of market share.

The directors feel a responsibility to Osaka and the entire Kansai region to try to restore some financial dynamism to the city, especially in an era when the financial sectors are growing much more quickly than manufacturing industries.

They know that it would not be realistic to try to win away business from the TSE through price competition. (They would have difficulty getting support for such a move anyway, because 65 of their 82 regular members are also members of the TSE.)

Instead, their strategy has been to try to create growth through developing new and different products and services.

The first of these, in 1983, was the creation of a second tier market for junior issues, rather like the Unlisted Securities Market in London. The idea was to make the stock market available as a source of finance for small and medium sized companies.

The new second section (NSS), as it is called, offered easier listing requirements than those for the OSE itself. For example, the company needs only a three year track record compared with a five year record to qualify for the OSE.

Similarly, insiders can retain up to 90 per cent of the shares of the company, compared with 70 per cent on the OSE.

Also, the NSS was restricted to companies based in Western Japan.

For various reasons, the NSS has not enjoyed the sort of roaring success that London's USM has had. Only 13 companies have joined, and one of them is about to graduate into the OSE.

For one thing, credit has become increasingly easy in Japan in the past two years, and young companies have probably not felt the need to seek equity finance. However, OSE officials say the market is gradually attracting interest from venture capital firms.

The second gambit was to open trading each day in a few leading shares a few minutes before the Tokyo Stock Exchange. Since December, 1984, the OSE has started trading in 70 shares at 8.50 am, 10 minutes before the general opening in both Osaka and Tokyo.

The initiative was so popular that the number of issues involved was increased in 1985 to 140, and two months ago, it was raised to 250.

According to Mr Shuzo Amako, executive governor of the OSE, in the first month of the 10-minute early opening, 3.2 per cent of total daily trading volume was carried out in that period. But by last December, it had risen to 4.4 per cent, even though overall trading volume had more than doubled.

"We hope to increase the number of companies on the list still further, but we have to get the approval of the Ministry of Finance. Also, the stocks involved have to be those for which Osaka is the main market, so there is a limit," Mr Amako points out.

The OSE's latest venture, and the most ambitious, is the launching of a stock futures market. The OSE wanted to set up a stock index futures market, similar to those in the US and elsewhere, but Japanese law prohibited cash settled index futures.

So a package portfolio of 50 listed stocks on the OSE was developed, with the idea that settlement of open positions would be made on the basis of physical delivery of the shares. The 50 stocks were ones the combined value of which would track the widely followed TSE Nikkei stock average.

The OSE also had to get over a severe tax obstacle, a 0.2 per cent securities tax on all stock exchange transactions. This is not a serious disincentive to share trading, but would inhibit futures trading. The OSE succeeded in having a major reduction in the tax included in a tax reform bill last spring, but the bill was withdrawn because of strong opposition to other aspects of it.

The launching of the OSE 50, first scheduled for April, was postponed until last month, and then began with a cloud over it because of the tax problem. On the opening day, 5,530 contracts were written, but since then daily volume has slumped to between 200 and 300 contracts.

It seems likely that the tax problem will be resolved in the next few months, after which time the directors hope the futures market will become more active.

Brokers, too, are optimistic. The creation of the OSE 50 attracted 24 new members to the exchange, including two foreign firms, Morgan Stanley and Salomon Brothers of the US.

The OSE's next project is to introduce a futures contract based on the Nikkei stock average itself. This will begin next summer at about the same time as a contract is launched on the TSE based on the Tokyo exchange's own average.

After that, it is difficult to guess what the OSE will do. The directors would like to do more in the futures areas, but see obstacles at every turn.

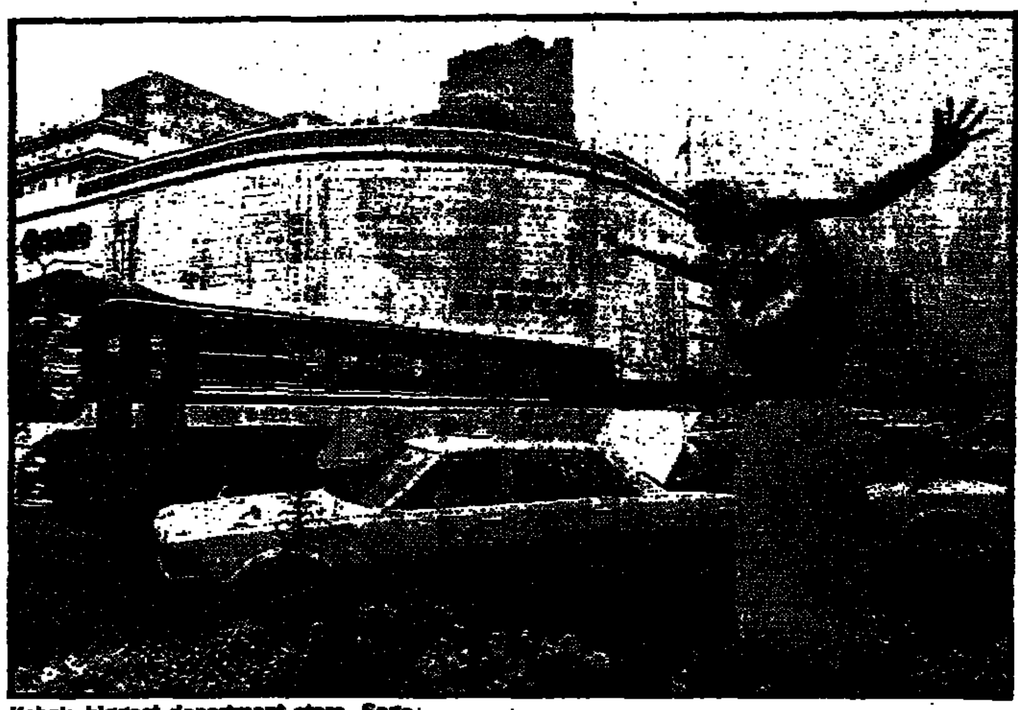
The TSE has already captured the bond futures sector, for example, and the OSE believes it would be counterproductive to provide competition in new products. Moreover, most of the cash trading in bonds is done in Tokyo and there is an argument in favour of keeping the cash and future trading together.

Japan does not yet have a metals terminal market, but the metals traders themselves are trying to set one up, so the OSE is unlikely to be involved. Commodities trading is also undeveloped, but this sector is controlled by the Ministry of Agriculture and the OSE is not optimistic about getting much support there.

The OSE is eager to become more international. Unlike the TSE, for example, it has an open door policy for foreign brokers. Also, it hopes to carve a niche as a market for shares in the Asia-Pacific region. It has, for example, been exchanging personnel with the securities industry in South Korea, with the idea of cross listings when Korea's market becomes open to foreigners.

Ian Rodger

Trading floor of the Osaka Stock Exchange



Kobe's biggest department store, Sogo

Kansai airport

Osaka Bay project

WHEN THE leaders of the Kansai began lobbying nearly 20 years ago for the construction of a new international airport for their region, they could not have imagined that the project would one day become the focus of an international controversy over protectionism in Japan's construction industry.

Today, however, the words, Kansai airport have become symbolic of the new aggressive tone and style of US-Japan trade frictions, and the star-crossed airport project may yet suffer because of it.

The controversy is especially embarrassing for Kansai leaders because they are out to show that their region is open to the world, and they see the airport as a key development in their drive to improve their communications with the international community.

Mr Yoshio Takeuchi, the doughty president of the Kansai International Airport Company (KIAC) has so far managed to fend off the attempted interventions of the government and others in his management of the project, but the pressure continues to rise.

Probably the main reason for the international visibility of the airport project is its size. It is estimated that it will cost Y1,000bn ($6.9bn) to build, mainly because it involves the reclamation of 511 hectares on a site five kilometres offshore in Osaka Bay even before construction can begin.

The project also happens to be getting underway at a time when the Government is looking for quick ways to bring down Japan's embarrassingly large trade surplus.

t

The US and other foreign governments have recognised that it will take Japan's private sector considerable time to switch its emphasis from exporting to importing, and so they have pressed the Japanese Government to emphasise importing in its own procurement practices.

However, in the case of KIAC, these worthy ideas have run smack into the formidable Mr Takeuchi, a former transportation ministry official with long experience in managing land reclamation projects.

Mr Takeuchi believes that reclamation is a highly specialised skill, and that only a few Japanese companies with whom he has worked closely for several years have it.

He is also a strong believer in the urgency of the airport project and, with the full support of Kansai government and business leaders, he is determined to complete it on time.

Thus, he has been unwilling to put aside several years of planning that KIAC and the Japanese reclamation companies have made so that foreign companies can learn enough to compete for the contracts.

Conveniently for him, no foreign contractors have licences for carrying out civil engineering work in Japan, so he has been able to push aside their entreaties for consideration by saying that they do not qualify.

But in the overall Y1,000bn target, this looks a bit like crumbs to many foreigners. The reclamation alone will absorb no less than 70 per cent of the money. The airport itself will, in fact, be quite small, having only a single 3,500-metre runway, although there is already talk about a possible expansion.

Amid the controversy over the airport project, it would be easy to lose sight of its overall significance. In the Kansai region as a whole, it is seen as a long overdue key development that will restore some dynamism to its flagging economy.

Kansai leaders believe growth in the region has been stunted in the post-war period in part because of the inadequacy of Osaka's existing airport, which is small and located in the midst of a residential area.

Jet aircraft movements at the airport are restricted to 200 a day between the hours of 7 am and 9 pm. Of the 36 foreign airlines that fly to Japan, only 12 are allowed to use the Osaka airport. Applications by 11 others have had to be turned down.

The new airport, because it is being built out in Osaka Bay, will be able to operate round the clock, and KIAC expects it to handle 30m passengers and 1.4m tonnes of cargo a year. Opening is scheduled for the spring of 1993.

The very existence of the airport project is generating a lot of other civil engineering work in the region on new road and rail lines. Also, Kansai leaders believe it will help them attract other new business to the area.

It is difficult to quantify this as yet, but there are reports, for example, of the big trading companies boosting their Osaka-based personnel in anticipation of a surge in activity in the next few years.

Mr Kimihiko Hoshina, managing director in charge of West Japan for Sumitomo Corporation, said the group was increasing its Osaka staff and this month added a third director to the Osaka office.

Ian Rodger

Nippon Wellcome, the UK group's subsidiary, finds

Room for growth out west

"IF SIX DRUG companies moved to Osaka tomorrow, I wouldn't feel pressed. Tokyo is a rat race. Here, there is more chance to get on with business," says Mr Donald Bradshaw, president of Nippon Wellcome, the Japanese subsidiary of UK drug giant Wellcome.

An unashamed Osaka-lover, Mr Bradshaw, along with a small but growing brand of foreigners based there, believes that too many people believe that the trip to Japan ends in Tokyo.

Doing business in the Kansai region makes sense for foreigners, he says. Rental costs, for example, are about half what they are in Tokyo. International schools are as good, if not better, in the Osaka area.

Kobe, where most foreigners live, is a charming port city studded with historical buildings which date back to the days when Kobe was one of Japan's leading international trading posts.

And unlike other second cities, such as Chicago in the US or Bristol in the UK, all the international attractions which come to Tokyo also come to Osaka. Pop singer Madonna, for example, opened her latest world tour in Osaka.

For the more sedate concert-goer, the same applies to international orchestras, ballets, and theatre groups which have recently visited Japan.

As far as Mr Bradshaw's own business is concerned, he points out that 28 per cent of the drug industry (by sales) is based in Tokyo and 20 per cent in Osaka. These statistics hold true in a number of other industries such as electronics, financial services and leisure.

"With the possible exception of contact with government ministries, I can see no advantages in setting up in Tokyo. Provided you set up a branch office in Tokyo, there's no reason not to consider the Kansai area," Mr Bradshaw says.

"Kobe is one of the nicest places in the world to live," he enthuses. The city is close to the mountains and the sea, and without the same kind of congestion which clogs Tokyo and Osaka.

The Kansai area has also proved to be fertile ground for Wellcome. Although the company is not among the biggest foreign drug companies in Japan, it is now among the country's fastest-growing foreign drug companies.

When Mr Bradshaw first arrived in Japan in the early 1970s, annual sales for Wellcome totalled less than £100,000. Now they are in excess of £30m a year and he hopes to double that figure in the next four to five years.

The key to the company's current high growth is its anti-herpes drug Zovirax. It took five years to register the drug in Japan, compared to three years in the UK and four in the US. Despite the longer registration period, the Japanese do not discriminate against foreign drugs, either at the regulatory level or the prescribing level, he says.

It does take a long time to get established in Japan—Nippon Wellcome began to show a profit only about three years ago—but Mr Bradshaw says that any research-based pharmaceutical company is foolish to ignore Japan. And he advises companies to allow their employees to spend at least five years there.

"It takes a person about two years to get a feeling for the place. After that, you can expect a good return on your investment. Also, if you want him to make changes, it will take longer. The Japanese like continuity."

He advises that foreign companies allow their employees to learn Japanese, or at least Japanese culture and history. "One of the most difficult things for foreigners when they don't speak the language or know the customs is the frustration of being misunderstood," he says.

"One of the first things I did was spend a lot of time learning about the culture and religion. That gave me a very early guide.

"But you've always got to be on your guard not to allow a Japanese to lose face. If you do that too severely, you'll never get that person's co-operation again. For a foreigner to order a Japanese to do something is the best way not to get something done.

"You talk about it and you discuss what you want hypothetically and you leave them to think about it before spelling out exactly what you want done," he says. As one of four foreigners in a company of 200 Japanese, Mr Bradshaw has had to learn how to adapt.

He sees a big future for foreign-based pharmaceutical companies in Japan, mainly because of the changing health profile of the Japanese. Geriatic medicine will grow as the population lives longer, as will nervous-related disorders and mental disorders, he says. Gout, relatively rare when he arrived, is now increasing in Japan.

To meet this challenge, he believes Nippon Wellcome must strengthen its promotional staff and its product development. "We should also consider having a manufacturing facility here. People are put off by the cost, but it demonstrates to the government that you are here and you are serious."

Wellcome might consider establishing a research facility in Japan sometime in the future. "For a research-based company, can we afford not to be in Japan?" he asks.

Carla Rapoport

Recession sharpens resentment of mainland

New mood in Japan's Alaska

IN SAPPORO, the capital of Hokkaido, they like to tell visitors they are closer to Vladivostok than to Tokyo. The news is intended to scare.

It is that kind of island—sometimes called "Japan's Alaska"—where the people are supposed to be rough and ready, even if they are not.

"The people on Honshu (the Japanese "mainland" to the south) think we are a foreign country," says Mr Tsunemasa Seki, a trade union official in Sapporo, "but its probably our fault. We're always bragging about how tough it is out here."

Hokkaidans love to tell their softer southern cousins stories about bears—which are still common on the island—barging into homes to raid pantries, and attacking cars.

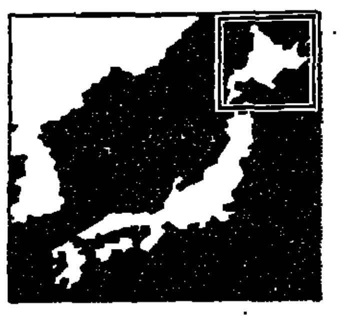
"A bear did attack a car recently," says Mr Seki, "but when it appeared in the newspapers in Honshu they probably thought it happens all the time."

At times it becomes cold enough in Hokkaido to have made Sapporo the site for the Winter Olympics in 1972 but the weather and the bears are not the only things that set it apart from the rest of Japan. Hokkaido is poor—though it is 22 per cent of the country's total land area, its 5.7m inhabitants make up less than 5 per cent of the Japanese population.

It is the only part of the country now running a trade deficit with the rest of the world (it also runs one with Honshu). Overall, production in Hokkaido has fallen slightly since 1980 while the national average has risen sharply.

Tokyo never cared much about Hokkaido until the Russians began showing an interest in the islands just to the north of it, the Kuriles, in the 18th century. By the 1850s Tokyo was encouraging settlement in the island to help in the defence of it and by the 1870s a fully-fledged Japanese colonial administration was in place. The island's original inhabitants, the Ainu, were assimilated, though in theory only, into Japanese society.

Russia had established a Consulate at Hakodate, on the southern tip, in 1858 but the new administration there turned to the US for help in devoloping the island, especially its agriculture. The Americans persuaded the authorities to spread their agricultural risk and not simply concentrate on rice. Today the island is something of a breadbasket—supplying cereals, potatoes, corn, fruit and dairy products to Honshu, Kyushu and as far south as Okinawa.



Hokkaido
Northern Japan

Many Hokkaidans feel, however, that the colonisation of their island has never really ended, and resentment towards Honshu is being sharpened again by recession in most of the island's industrial stalwarts. The Nippon Steel work at Muroran, the only steel plant on the island, is cutting back capacity and halving its 4,000 jobs. The coal mines in Hakkaido's richly forested mountains are closing. The great shipyard a Hakodate is a shadow of its former self. The fishing industry has been hurt by new limits on where Japanese may fish.

"Capitalists from Honshu exploited our resources," says Mr Seki, "but of course we (the unions and the Hokkaido governments) have some blame. For the past 20 years we have depended on public works (spending) by the national Government. We should have been improving our industrial base when Japan began to grow in 1965."

Mr Ken-ich Abiko, one of Hokkaido's three vice-governors, has an only slightly less harsh opinion. "The national Government has benefited because of the resources we have given them," he says. "Hokkaido should do more for itself. The mistake we made was to take successful things from Honshu and try to repeat them here."

If there are indigenous solutions to Hokkaido's growth problem, they will probably take a long time to become obvious. Mr Abiko, like many other islanders, talks of attracting high technology industries to Hokkaido, of using what it already knows about natural resources to develop new expertise in biotechnology.

There are some hopeful signs. While he was still a student at Hokkaido University in Sapporo in 1980s, Mr Hiroyuki Hattori formed his own computer software and hardware company. Today the group, BUG, is turning over nearly Y1bn a year, with sales growing at about 250 per cent a year.

Along with university friends, Mr Hattori has developed his own colour graphic system, begun exporting computers, selling components to major competitors and has just set up an office in West Germany.

As far as he is concerned, Hokkaido is perfect—"Land is five times cheaper here than in Tokyo," he says. High technology industries generally make light products so transportation costs are not a problem and, he adds, "we have here the industry's most important resource—young people. Their values are changing, nature and health are important and its much cheaper to realise them here than in Honshu. We now recruit in Honshu."

At least one foreign company, Novo Industrie, the Danish pharmaceuticals and biochemicals group, has discovered the same thing. It has just built an industrial enzymes factory near Sapporo.

If there is a new mood about the place, despite all the desperation in primary industry, it may have something to do with a young, handsome socialist, Mr Takahiro Yokomochi. He has just been re-elected Governor with an increased majority and broken a long reign over the island of the Liberal Democratic Party that runs the country.

Mr Yokomochi is more populist than socialist, and people such as Mr Hattori say he is popular with the business community. He has established new incentive schemes, offering up to Y1bn at a time, to attract new business to Hokkaido and is sponsoring a host of other incentives to try to get the island standing on its own resources.

The airport outside Sapporo, for example, is being expanded and may become a second international cargo centre to Narita, near Tokyo (which has reached saturation point).

Meanwhile, the Y1,000bn *Seikan railway tunnel* linking Hokkaido with Honshu opens next year and might, just might, *bring the famed bullet train* with it to Hokkaido. That would change many things for the *island and tie it more firmly to* the prosperous south.

Hokkaidan businessmen say anyway that they plan to establish much closer ties with northern Honshu when the tunnel opens.

Peter Bruce

Farmworker feeding twin five-month old calves on the Frontier Farm, Eniwa, Hokkaido

Miners protesting over the closure of mines outside Mitsui Sunagawa Mine, Hokkaido

Coal

Output set to halve

MR FUKUO FUJIWARA sometimes wonders whether his industry is being killed off by something he can influence or by forces quite beyond his control. He fears the latter.

He is general secretary of the Japan Coal Miners' Union. His headquarters are a few bleak rooms in a non-descript house in Tokyo. Membership of his union, now about 8,000 people, is half of what it was in 1977 and by 1990 will have halved again.

"I am burning inside," he says, when asked why he appears to be facing extinction with relative calm. He thinks Tokyo has decided to abandon coal production altogether and to concentrate on imports as one important way of redressing the country's excessive trade surpluses.

When miners argue that coal is a *strategic* reserve and that mines cannot be closed and simply opened again, they are told *that Australia, Canada and the* US are firm and stable allies and that supply is secure.

In 1960, Japanese coal mines used to meet half the country's 100m tonnes a year consumption. Today, demand is roughly the same, but the mines produce just 16m tonnes a year and under a plan just approved by the Government and employers, output is set to halve by 1992.

Coal is mined in Japan only in the underdeveloped north and south islands—Hokkaido and Kyushu. In tiny, dilapidated, Kamisunagawa on Hokkaido, the coal mine that gives it life is closing down after 73 years. The giant Mitsui group, its owners, told the 700 workers at the mine in May, just after the new output plan was agreed, that they wanted it shut quickly.

The announcement has sparked the latest in the long line of protests and strikes that have marked the Japanese coal industry's dramatic decline since 1960 but little good, as always, will come of them.

After some one-day strikes and sit-ins by local people and housewives in May and June, Mr Masayuki Takahashi, the senior trade unionist at the pit, and some of his officials went to deliver protests to the Government and were politely told they *could not be helped.*

Under the production plans, mining of coking coal (for steel companies) will be stopped. The industry's last customers will be power utilities and few people would bet on them buying local coal for much longer than 1992 if they can get away with it. Domestic coal lies deep and costs about Y23,000 a tonne. Imports are landing at Japanese ports for Y7,000 a tonne.

The Government subsidises coal through a levy on imported oil but importers are pushing hard for the levy, worth Y130bn last year, to be lifted. They have a strong case because their profits are down and the Government is now trying to deregulate the domestic oil industry. The production plan will also halve the remaining number of mines to five. In 1957 there were 822.

The plan may already be obsolete. The potential job losses involved are so serious in Japanese terms that all the major coal producers, Mitsui, Mitsubishi, Sumitomo and Taiheiyo Kohatsu, the Coal Association and the Government all declined to discuss the industry's future with the Financial Times.

The coal unions say they try to be reasonable. "We have to try to stave off closures for as long as possible to save the towns," Mr Fujiwara says. "But we must be realistic given that domestic production costs are so high."

At the Kamisungawa mine, which loses about Y2bn a year, they have been mining as close as possible to the surface to save money. Mr Takahashi says the workers foreswore a wage rise last year and have compromised on safety underground to try to save money and the mine.

Mitsui is offering jobs on Honshu, the main Japanese island, plus 200 in Kamisunagawa. "But we are interested in the quality of the jobs, not the quantity," he says. "When the company meets its social responsibilities, then we will concede closure."

Typically for the industry, Mitsui plays an almost fuedal role in the town. Miners rent company property, Mr Takahashi admits, "for almost nothing."

In the town, shopkeepers are fearful. One man says he would not be able to pay his electricity bills if the mine closed. "You hear of all the money Japan has made in the past two years," says Mr Fujiwara, "but that money doesn't trickle down to ordinary people. It is concentrated in the hands of a few and invested in property and bonds overseas."

If there is any bitterness in that remark, then the last throes of the death of coal in Japan might turn nasty. "The users say that in five to ten years Japanese coal will not be required at all," Mr Fujiwara says. "So our biggest struggle is still ahead."

Peter Bruce

Steel

Cruel logic of rising yen

RUNNING ONE of Japan's big steel companies must sometimes be confusing. Just days after the country's five biggest producers announced, in May, what amounted to their worst results (for fiscal 1986) since the end of the 1939-45 War their shares were being bought for rocketing prices.

The managers of these companies may be facing an uncomfortable truth—that their stock is not being bought anymore because shareholders do not have any faith in the future of steel.

Many analysts in Tokyo now believe that the market performances of Nippon Steel, Kawasaki Steel, Sumitomo Metal, Nippon Kokan (NKK) and Kobe Steel are, in fact, being buoyed up by a cruel logic. It holds that the worse the market gets in steel, the quicker the companies will leave the industry and the quicker their huge property holdings may become available for redevelopment.

That is only a guess, of course. The five companies, whose combined pre-tax losses for fiscal 1986 totalled Y55.4bn—in many cases the first losses ever since the war—say the domestic steel market had begun to firm in the last half of fiscal 1986 and that 1987 might even see a return to profit.

They argue that a Y6,000bn Emergency Economic Package designed by the Government to ease trade tension with the US will strengthen the home market a lot later this fiscal year, particularly in the weak constructional steels sector.

But life in the Japanese steel industry appears to have been changed forever by the rise of the Yen. Earlier this year all five big producers announced huge redundancy programmes that will take about 45,000 workers out of steelmaking (25 per cent of the industry total) in the next three or four years.

Although most of the redundant workers affected now are near retirement, the industry's jobs-for-life system may be keenly tested soon.

The job-cuts are based on forecasts of output of 90m tonnes of raw steel by 1990 and an exchange rate then of Y150 or Y160 to the dollar. Although hopes have risen lately that the economic package might mean that the expected decline in output will not be that steep, some economists in Japan would now regard the accompanying exchange rate assumption as hopelessly optimistic.

They also warn the industry might have to do more cutting. Just two years ago the Japanese produced 105m tonnes and in 1973, before the first oil price shock, they led the world with output of 120m tonnes.

So, even now, at 96m tonnes, the decline in output and capacity has not been nearly as dizzying as in the UK or the US. Japan, it could be argued, may still be over-producing.

"Astonishingly, the trades unions believe that is true. "We have been pressing management to adjust output to meet demand," claims Mr Kazumasa Shigeta, chief researcher at the Japan Federation of Steel Workers Unions. "Managers simply push for output. We're trying to say 'don't overproduce and the labour saved can be channelled into different activities!"

The strong yen has made loose production planning very dangerous. For two decades, until the end of 1985, Japanese producers were able to ease any volume pressure at home by adding to their exports.

Now they are being challenged and often beaten in their traditional Asian export markets by newly industrialised steel makers and they can no longer get to the US or Europe at the prices they need to.

In South Korea, probably the most sophisticated competitor Japan has in the region, steel sector wages are seven times lower.

Perhaps five large producers are too much for one country. One remedy against insecurity might be mergers but if the West German industry is any guide, it proves that private sector competitors make extremely fickle partners. Half a dozen public and more subtle merger attempts have failed in West Germany because producers took too long to talk to each other.

By the time merging reached the table, so had a mountain of debt and so far no two potential steel partners in West Germany have ever manged to agree to shoulder the other's problems. Japan's steelmakers may be in the red but they are not that badly in debt and now might be as good a time as any to start talking.

Peter Bruce

Two of the region's main cities, Hakodate and Sapporo (below) are both seeking new roles

Hakodate pins hopes on new tunnel link

THEY KNOW about unemployment in Hakodate. As Hokkaido's oldest city, it flourished for 100 years until fishing limits and the ship-building crisis tore its economy and its confidence to shreds.

The shipyard, much diminished, is still there, but the city can no longer rely on it. Instead, Hakodate and its 300,000 people are having to sit out an excruciating game with fate. There could be jobs for everybody soon—or just disappointment and defeat.

Hakodate is a sprawling port city at the tip of Hokkaido's southern peninsula. It lies in the shadow of a lush, benevolent mountain that seems to pump its good spirit all over the city. The streets are wide and friendly and the buildings touched with American, Chinese, Russian and European flourishes that help betray the fact that Hakodate, in 1859, was one of the first Japanese ports to be opened to the rest of the world.

It used to be the capital of Hokkaido until that moved inland to Sapporo. Now only a handful of the flights that pour into the island land at the city's airport. The most active business in town is the ferry to Honshu, but only people who cannot afford to fly take that route.

But Hakodate's hope, and the vehicle of its possible despair, is at hand. A Y1,000bn, 53.9 km-long railway tunnel (23 kms under water) linking Hokkaido with Honshu has just been completed. Right now, it takes the ferry three hours and 50 minutes to travel from Hakodate to Aomori in north Honshu.

If the tunnel comes into service next year, a conventional train will shorten the journey to two hours. If the Shinkansen (Bullet Train) uses the line, the ride will take just 50 minutes. Tokyo would be just five hours away from Hakodate by land, not 10 hours.

Time scales like that inspire optimism and make mouths water in Hakodate, espcially as they mean Hakodate may be able soon to cock a snoot at its usurper, Sapporo.

"The tunnel changes the idea that Hakodate is part of Hokkaido," says the town's mayor, Ryuichi Kidoura. "We could become part of a Aomori-Hakodate (nexus)."

This theme has obviously been rehearsed. "We envisage a new economic era," says Mr Hiroski Kawata, president of the local Chamber of Commerce. "The Tsugaru Straits have been a Great Wall and the tunnel might bring Honshu's boom to Hokkaido."

The problem with the tunnel is that it may actually be highly unprofitable to operate. "The tunnel will not change our lives," predicts a cynical worker at the Hakodate Dock.

Some 19 years in the building, the tunnel has supplied jobs to Hakodate that it simply would not have been able to generate itself. A further Y1bn has been spent on tunnel-related industries, much of it flowing into Hakodate. The prospect of the tunnel now simply lying there, a White Elephant project, while all the jobs it has soaked up come back onto the market to join the steady trickle from the docks, is appaling.

It could easily happen. While the Seikan was being built, Japanese airlines virtually killed its passenger hopes by putting wide-bodied jets on their routes from Honshu's main cities to Sapporo. And Japan's railway operators have made no promises about using the tunnel. The prospect of the Bullet Train (which uses a wider gauge line than conventional trains) flashing through it, seems light years away.

If only it would come just to Hakodate, Mr Kawata's vision runs something like this: "They bring the Bullet Train from its present northern terminal in Aomori through the tunnel to Hakodate, and the Hokkaido Government then helps establish a special rail express between Hakodate and Sapporo.

"If the Shinkansen goes to Sapporo it will cost Y1,000bn and if it just comes here it would cost only Y100bn," he says.

Once the lines were open, Hakodate would also make a pitch to service electric trains in the city and will probably encourage any unemployed people brethren to look for jobs in Honshu to which they could commute "that they could commute to. Aomori is threatened by us," says Mayor Kidoura.

That remains to be seen. For the moment the city is struggling to meet all this uncertainty with a smile. An "Expo" to open the tunnel is being held next year and if it were not for the fact that the Hakodate Dock is trying to lay-off 200 of its last 1,000 workers, some of the fun might stick.

Hakodate, for some unfathomable reason, was chosen a few years ago by the Japanese Government as a "Technopolis." This was supposed to mean establishing research in the city to help its industries respond to change. The "Technopolis" idea has brought little gain yet because the industries it is aimed at are so seriously underdeveloped.

At the dock, though 3,000 jobs

View from the mountains of Hakodate

later, they believe the worst is now over. The Government in Tokyo is predicting increased orders in two or three years—if. If management would just hold on.

"If" is a big word in Hakodate, however. If the Bullet Train (or any train) comes through the tunnel. If the new restrictions on fishing limits were negotiable. If dockyard management would hold on.

Maybe none of these things would make a difference. Some people in the town talk about food processing as the great new hope though even here, there would be a long way to go. But Mr Kawata's factory processes fish, and his researchers have found a way to make crystals from the squid oil—drop the crystals into a glass of water and they change colour. Very pretty, no doubt—and the next trick is to find some useful application for this discovery.

One could say that a somewhat similar problem faces Hakodate as a whole.

Peter Bruce

Pioneer city looks overseas

THE RED light district in Sapporo is plumb right in the centre of town. It is called Susukino and at night, it cannot be missed. In fact, it cannot be avoided at night because among its 4,200 bars, restaurants and other establishments are the only good places in town in which to eat.

Places such as Susukino seem to sit comfortably in locations like Sapporo. This is as far north (almost) as civilisation comes in Japan. The people call themselves pioneers. They drive slightly older cars and drive them with a touch more abandon than in Tokyo. They do not wear winter clothes until the temperature drops below freezing. They owe no great cultural debts either, which is probably why one of the streets in Susukino is dominated by a large replica of the Statue of Liberty.

The city, furthermore, has a no-nonsense air about it. Flat, featureless and spreading, it is laid out in a grid system. Almost all the streets are straight. In fact, Sapporo owes much of its development to American advisers brought in to help the Hokkaidan colonial administration in the mid-nineteenth century. Probably because of this, its 1.5m inhabitants seem to be much more relaxed with foreigners than the Japanese in Tokyo.

Today, just over 100 years after its birth, Sapporo lies at one end of the world's busiest air transport route—the one from Tokyo—but it is also a comment on the place that many of the millions of tourists who use the airport every year quickly get out of town and into the mountains and lakes that surround it.

The thickly wooded mountains that crowd around parts of the city become increasingly inviting because, after a visit to the beer garden, a peep at the old colonial clock tower and the old (and lovely) Government building and a stroll through the botanical gardens, there is not much to do in town but eat. Winter is enlivened by a famous snow festival which attracts about 2m visitors, and there is some skiing nearby.

Sapporo is a political capital, not an industrial one. Attempts to use its relatively cheap property prices to attract high-tech companies from Honshu or abroad still have to bear fruit. At the Sapporo International Trade Fair on the outskirts of town early in June, Japan's big electronics groups made dutiful appearances (it is, after all, the country's fifth biggest city) but most of the stands were filled with belt buckles and food, Scotch whisky, furniture and masks. The Moroccans were selling leather wallets.

But as it struggles to finda place among the world's important cities Sapporo may have stumbled on something special. It has begun to team up with other "northern" centres—Portland in Oregon and Edmonton in Canada—and has set up a Northern Regions Centre in a sleek new building downtown to examine ways in which cities in similar situations (not only latitudinal) can help each other.

It is just possible that Sapporo has more in common with, say Edmonton, or nearby Vladivostok, than it does with Tokyo.

The city's twinning with Munich cannot be explained in this way. But the fact that a large and perhaps rather tasteless Bavarian totem pole (a gift from Munich) still stands at one end of the city's main, tree-lined boulevard, does speak volumes for Sapporo's young, but apparently innate, good nature

Peter Bruce

Unemployment

Forecasts bring gloom

NOW THAT the industrialised West's most common economic disease, unemployment, has established itself in Japan as well, a popular debate seems to have emerged about how to measure it.

Officially, the rate of unemployment in Japan is just over 3 per cent. Trade unions, though, claim the "real" rate is around 6 per cent or even 7 per cent. They say the Government's calculations are deliberately misleading and exclude many people who only work one or two hours a week. Then there are others who count the number of people who actually have jobs but do not do any work because none exists.

What is certain is that all the figures are going to get worse. Until now, Japanese companies have managed remarkably well to hold on to employees even during lean times. Job cuts, when they have occurred, have been spread over two or three year periods. Companies in trouble have been able to shift employees to subsidiaries or even temporarily to the companies of friends or customers or suppliers.

They could always come back when the markets revived. But now Japanese business is facing a far more fundamental shift in its terms of trade than just a temporary difficulty with its currency in export markets. Companies in mature industries have announced thousands of redundancies in the past nine months. The system of lifetime employment, which applies to about a third of the workforce, is going to become increasingly expensive and harder to justify.

Perhaps recognising this, the country's fragmented and often fractious trade unions are beginning to find more and more excuses for working together in joint committees and job initiatives. Wage increases of an average 3.5 per cent last year were the lowest since the war and the rate of unionisation is at an historic low with just 28.2 per cent of people with jobs belonging to trade unions.

Union officials say they are finding it hard to recruit women who work part-time and to find a foothold in the growing number of job agencies, which hire out temporary workers.

Whether the unions, or the Government, are ready to deal with a collapse of the lifetime employment system is doubtful. Redundant workers, obviously not part of the lifetime jobs system, are insured for up to 80 per cent of their salaries for 300 days after losing their jobs. From then on, unless they are raising children or are handicapped, they get no welfare.

Threats like that help to make Japanese workers very conservative and may explain why the unions are not pressing as hard as they might like to for a cut in the country's 48-hour working week. Many Japanese regularly work a six-day week but progressive cuts in working time, especially in Europe, have found support in Japan—even in the Government—as one way of relieving the pressure on jobs.

Some economists also argue that over-regulation in Japan's services sector is preventing job creation and that the country has been too dependent on export industries, where productivity has been increased at the expense of jobs.

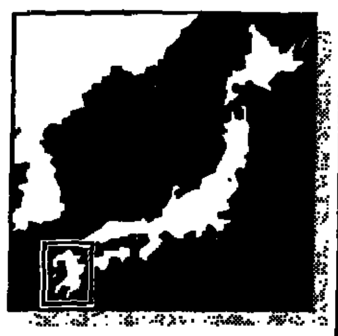
Less than 60 per cent of Japan's jobs are in the services sector, and more than 70 per cent of America's and with just twice Japan's population, the US created more than four times the number of jobs—26.4m net—than the Japanese between 1970 and 1986.

If there are any messages in those figures, published by the Bank of Japan, at least one might be positive because they mean Tokyo still has room to experiment.

Peter Bruce

As shipyards and coalmines have closed, Japan's southern island has attracted many electronics manufacturers

Technology to the rescue



Kyushu
Southern Japan

IT HAS been dubbed "Silicon Island"—and with some reason. Over 40 per cent of Japan's semiconductor output by volume, or 10 per cent of world integrated circuit production, comes from Kyushu, Japan's southern island—a subtropical, old industrial and agricultural region.

Kyushu's history is tied, perhaps more closely than any other part of the nation, to trading and links with China and the West. During Japan's Edo period of isolation beginning in the 17th century it was Nagasaki, on Kyushu's northwest coast, that alone remained open as a trading port.

Indeed Kyushu's 13m population, spread over seven prefectures (counties) which together make up about 11.2 per cent of Japan's total land mass, is arguably still more outward looking than Japan as a whole.

This international perspective, coupled with a relatively clean environment, cheaper land prices, a well educated but largely non-union workforce whose pay rates are about 20 per cent lower than the national average, are among the reasons Kyushu has managed to attract so many high technology companies including a cluster of foreign businesses.

Today there are about a dozen fully integrated circuit manufacturers with plants in Kyushu, including some of the giants of the industry life NEC, Fujitsu and Toshiba. Foreign companies like Texas Instruments, Fairchild and Material Research Corp, the US high technology machinery supplier, have had plants on the island while other foreign companies like 6D Searle and Hughes Tool have also set up operations in the region.

While the recent downturn in the Japanese electronics sector and the soaring yen have hurt Kyushu's semiconductor producers, the relatively recent influx of technology-orientated companies could not have come at a more crucial stage in the island's development.

Old industries like steel, shipbuilding and coal, mostly centred around the north of the island, have suffered badly from declining demand.

Shipyards and coalmines have been closed down, unemployment is rising and Kyushu's industrial shipments, which once formed 10 per cent of the national total, have slumped to just 5.8 per cent. At the same time agricultural production in Kyushu, which forms 17 per cent of the national total, is under pressure despite high central government subsidies.

Kyushu's relatively lower standard of living is evident not only from the raw economic numbers — the region's Y26 trillion gross product represents less than 10 per cent of the national total — but also from other indicators like the strikingly higher proportion of old cars on Kyushu's road system.

Overall the indicators paint a picture of an island struggling to reverse the widening gap between it and the rest of Japan. Part of the reason for this slippage is Kyushu's relatively poor transport infrastructure. Although the island has six airports and several major seaports, plans to improve the island's motorway network have fallen behind schedule.

A further reason is traditional rivalries between the seven prefectures. More recently, however, the islands' governors have recognised this limitation and are attempting to work more closely together and present a more united lobbying effort for central government funds.

"I hope Kyushu will go into the next century stronger and more united," says Mr Morihiko Hiramatsu, Governor of Oita prefecture and one of the island's most determined boosters.

This more aggressive lobbying effort has already begun to pay dividends. For example Kyushu has succeeded in persuading central government to designate six "technopolis" areas on the island—high technology development zones which are attempting to attract new industry with tax holidays and other incentives. What is clear is that Kyushu's economic prospects are now clearly dependent on high technology—and the silicon chip.

Paul Taylor

Tobacco farmers

Urgent need to cut costs and . . .

MR SHINGO OCHIAI, aged 23, draws another lungful of tobacco smoke — Japanese tobacco smoke — and looks just a little bit worried. Someday he will probably take over managing the tobacco farm his non-smoking father, Shingenobu Ochiai, has worked for 36 years.

What concerns the Ochiai family, like the other two thousand tobacco farmers in Miyzaki prefecture and 76,000 nationwide, is whether there will be a market for their tobacco in future, or whether, in the face of soaring foreign imports and modestly declining domestic demand, they will be forced to cutback production or quit the business altogether.

The Ochiai family farm totals 24.7 acres, with 6.9 acres devoted to tobacco and the rest divided into rice, soyabean, and radish production. By Miyzaki standards it is a reasonably big tobacco farm.

Mr Shingenobu Ochiai, whose living-room is decorated with the local trophies he has won for his tobacco farming, says: "I am concerned about imports, but I am trying to improve quality and reduce costs."

So far the Ochiai family has escaped being forced to cut back production—but not everyone has been so lucky. Five years ago there were 2,936 local tobacco farmers tilling 2,715 hectares in Miyzaki prefecture. Today there are 600 fewer tobacco farmers and almost 300 hectares have gone out of production. The picture is repeated across Japan.

Even though Japan's tobacco farmers recognise the urgent need to cut costs and improve quality, mechanisation in the small-scale tobacco farming system is difficult and slow to arrive. For example, in Miyzaki prefecture there are just 21 multi-purpose machines which help do jobs like crop spraying, fertilising and harvesting. The vast bulk of the work is still done by hand.

Just down the road from the Ochiai's farm Mr Masashige Fukumoto is the biggest tobacco farmer in the area—with 10.7 acres under cultivation. Mr Fukumoto's family has clearly grown rich growing state-subsidised tobacco.

Two years ago he installed a bank of computer-controlled curing machines costing Y1.6m each and his farm's turnover tops Y23m a year. Tobacco leaf output at 12,000 kg a year is large by local standards but tiny compared to the huge, highly mechanised US tobacco farms.

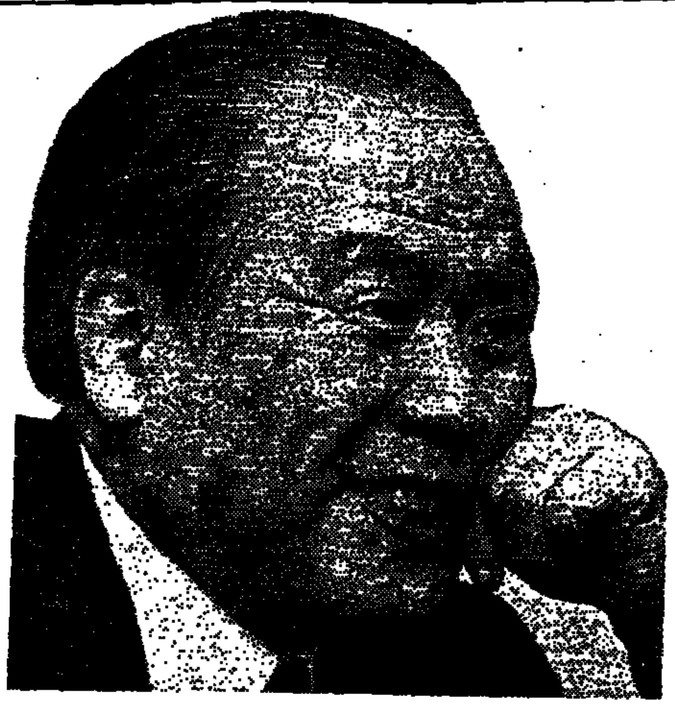
He, too, is worried about competition.

A few miles away at Takanabe, still in Miyzaki prefecture, 38 tobacco farmers have banded together in a co-operative to try to cut costs.

Station manager Hajime Nagamachi says the hope is that by taking advantage of economies of scale the facility will cut farmers' labour costs by at least 15 per cent.

But the Takanabe project is an exception which took Shigeo Kuroki, President of the powerful Tobacco Growers Association, which represents all Japan's tobacco farmers, several years to negotiate.

Paul Taylor



Governor with a vision

MORIHIKO HIRAMATSU swivels round in his chair, extends a metal telescopic pointer and proudly thrusts it at one of two large and brightly coloured cloth maps of Oita prefecture hung on easles in the governor's office.

The map shows Kakosu limes, Himeshima prawns, Beppu bambooware, mushrooms and dozens of other specialised products made by Oita's 1.25m population scattered around 11 cities and 47 villages. The second map is dotted with the names of domestic and foreign high technology companies like NEC, Toshiba, Canon and Texas Instruments.

Together the maps symbolise the 63-year-old provincial governor's vision for the future of Oita, a small, largely agrarian and relatively impoverished region perched on the north eastern Pacific coast of Kyushu, Japan's southern island.

During Japan's boom years in the 1960s, Oita's population dwindled as people left the land for the big cities. But Mr Hiramatsu, a career civil servant who spent more than 20 years working for Japan's Ministry of International Trade and Industry (Miti) before returning to his native province as vice-governor in 1975, is a determined Oita booster who has succeeded in halting the decline.

A stock man with a broad smile, Mr Hiramatsu is described by others as a lucky, experienced man able to take the long view. He himself says only that he is a humble politician. But a good salesman. In April he won a third term as governor standing as an independent with broad party support. Mr Hiramatsu picked up 84.3 per cent of the popular vote—the largest majority in any of the 13 spring gubernatorial elections.

His standing outside Oita and Kyushu is equally high. In a recent poll the presidents of 1,053 major Japanese corporations were asked which of the country's 47 prefectural governors they would most like to meet. Mr Hiramatsu's name emerged top of the list.

He has attracted attention overseas as well. Four years ago he was invited to speak in Shanghai about his dynamic approach to promoting industry and agriculture. More recently he has addressed OECD committee meetings in Paris and, at the invitation of the mayor of Montpellier, advised beleaguered farmers in southern France.

Mr Hiramatsu helped establish his formidable reputation shortly after he was elected to his first term as governor eight years ago. Six months later he launched his "one village, one product" campaign.

His aim in the campaign was to harness Oita's varied geography and the historical competitiveness of its people, and inspire local communities to develop special products in which they could take pride and which would also help regenerate the ailing economy.

His idea, backed by prefecture-wide contests and a determined education effort, fired the imagination of Oita's populace. The movement was designed not only to encourage production from each region but also to foster youth identity, he explains. While some of the resulting local co-operatives, set up without subsidies, are still not profitable, others have been very successful.

To improve the taste of local tangerines Mr Hiramatsu persuaded bioengineers to create a special Oita citrus through cross fertilisation with US Navel oranges. When a gold mine in the west of the province failed, the governor encouraged the miners to turn it into a museum and tourist attraction. The plan worked and stopped the depopulation of the village.

Today specially distilled Shochu, a vodka-like drink, graces the shelves of some of the smartest bars in Tokyo's downtown Ginza shopping area while the prawn farmers of Himeshima island made a Y5bn profit last year.

But the success of the "one village, one product" campaign—since studied in Harvard and copied elsewhere in Japan—is not the only reason Governor Hiramatsu has been thrust into the limelight.

Forty per cent of Japan's integrated circuit production is concentrated in Kyushu, and Oita prefecture, under Governor Hiramatsu, has moved perhaps most aggressively to attract such companies.

Mr Hiramatsu, who as one-time director of MITI's electronics policy division, once resisted attempts by foreign companies to set up shop in Japan, but now actively pursues them. "Attracting businesses from outside Oita prefecture is the second part of my development vision," he says. Eight years ago there was just three high technology enterprises around Oita's airport—an area to the north of Oita city which has since been dubbed a "technopolis." Today there are about 30 including some of the biggest names in the industry.

The governor's success in attracting high-tech industry stems, at least in part, from the contacts he made while working for MITI. While at the ministry in the early 1970s Mr Hiramatsu was instrumental in promoting both competition, and cooperation, between Japan's computer makers.

He successfully opposed a plan whereby Japan's six leading computer companies would have been combined in an effort to catch up with American competition. Instead the six electronics groups were encouraged to work as three competing teams, Fujitsu with Hitachi, Toshiba and NEC and Mitsubishi with Oki Electric.

When later, as Oita governor, Mr Hiramatsu asked these companies to set up plants in his prefecture they naturally obliged. "When I was at MITI I was in charge of the electronics section," he says. "When I came here I asked my friends to start companies in Oita and they cooperated."

Mr Hiramatsu's expertise in manipulating his old contacts has, however, brought occasional criticism. Once at an Oita assembly meeting a Socialist member described Mr Hiramatsu as a sunflower governor. "He is like a sunflower that always turns to the bright sun and remains ignorant of its own shadow below," the disgruntled assemblyman said. Hiramatsu's response was equally poetic. "I am the bungo plum that blossoms in the bitterest cold," he said referring to the local bungo plum which is famous for its beautiful flowers and plentiful fruit.

Among Mr Hiramatsu's other pet technology projects is an almost complete software park in Oita city aimed at attracting software developers and academics, and the revolutionary "marinopolis" fish farming project in Saeki Bay. A large computer-controlled robot buoy anchored in the bay attracts Red Sea bream by playing music and then automatically dispenses food.

At the same time Mr Hiramatsu is actively pushing for the upgrading of Oita prefecture and Kyushu's transport infrastructure. Oita airport is being extended while Mr Hiramatsu is lobbying hard for government funding of two major Kyushu motorways.

The final strand of Mr Hiramatsu's policy for his prefecture is to promote what he describes as "grassroots or local diplomacy," mainly through exchanges with other nations. For example, American farmers have visited Oita and Oita farmwives visited California. This autumn Oita will send another group to Holland to study flower growing.

Governor Hiramatsu, now a convinced internationalist, explains: "It is very important for Japan to avoid trade fricton and 'Japan-bashing.' I think local diplomacy is a way to stop this."

Paul Taylor

Tending tobacco plants at Ochiai tobacco farm, near Kunitom-Cho, Kyushu Island

Tobacco market

. . . an uphill fight for foreign brands

JUST OUTSIDE the Tokyo headquarters of Japan Tobacco Inc there is a cigarette machine which sells about a dozen brands of Japanese cigarettes and just one foreign import—Marlboro, the flagship Philip Morris brand.

What is significant about the lonely Marlboro pack is not just that its there at all—it would not have been just a few years ago—but that it is selling for the same price, Yen 260, as similar-sized Japanese brands.

US and other foreign cigarette manufacturers have been seething about Japan's hitherto closed tobacco market for years. Aside from heavy import duties, they complained of a wide range of non-tariff barriers.

For example until 1981 foreign cigarette manufacturers could only advertise in English-language publications and until 1980 only 20,000 of Japan's licensed 270,000 retail outlets were allowed to carry foreign brands.

Even when, in 1985 the 81-year-old state-owned tobacco monopoly, Japan Tobacco and Salt Public Corporation, was "privatised" and renamed Japan Tobacco Inc., foreign competitors complained that, by fair means or foul, it still maintained a stranglehold grip over cigarette manufacture, distribution and sales in Japan.

(Indeed, although JTI is in theory a private company, with Yen 100bn in capital, the government still holds all its shares).

In exasperation the US Government finally launched an unfair trade practice action under section 301 of the 1974 Trade Act. Then last October Japan finally agreed to lift the remaining 20 per cent ad valorem import duty from April 1 this year in return for the dropping of the US trade action.

The impact was immediate. Foreign tobacco companies cut their prices by between Y20 and Y60 a pack bringing them into direct competition with Japanese brands for the first time. Foreign cigarette sales, which had been hanging on to a slim 3.9 per cent share of the second largest market in the world worth an estimated Y3,350bn, jumped to 8.1 per cent almost overnight.

The initial sales figures for April may be deceptive. But JTI at least maintains the Japanese tobacco market has changed for good. Nevertheless, JTI clearly still exerts a powerful grip on the industry.

The Japanese tobacco giant, whose own cigarette sales totalled 303bn, worth Y2671.9bn last year, alone buys up the entire Japanese tobacco crop which is then shipped to one of its 10 leaf processing plants around Japan before ending up in one of JTI's 34 cigarette manufacturing plants.

Last year JTI purchased 117,000 tons of domestic leaf and imported a further 78,000 tons, mainly from the US. The volume and price JTI pays the politically powerful Japanese tobacco farmers is set annually by the Leaf Tobacco Advisory Council, a body composed of academics and farmers' representatives which is "advised" by JTI's president.

JTI officials admit that, despite a soft market, the price JTI pays has remained unchanged for the past three years—and is conservatively estimated to be two or three times the open market price for similar quality leaf—representing a huge indirect subsidy to the nation's 76,000 tobacco farmers.

Nevertheless, the number of tobacco farmers in Japan, and the total acreage under cultivation, have dropped sharply in recent years. Five years ago there were 97,000 tobacco farmers in Japan farming 54,000 hectares compared to 47,000 hectares today.

The reason for this marked contraction is partly higher productivity resulting from greater mechanisation and larger farm units, but it also reflects flagging demand.

While the number of smokers in Japan has held relatively steady at 32m in recent years—including an astonishing 60 per cent of all men over 20 years old—the number of smokers is down from 35m a decade ago and total unit sales are flat at just under the 310bn level.

Nevertheless, the Japanese market still looks attractive to foreign manufacturers who face even tougher market conditions at home. As a result JTI faces the first real competition it has ever had.

Company officials insist that although imported and domestic brands are now basically the same price, they have no intention of entering a cut-throat price battle—indeed that woud be difficult for JTI because of the inflated leaf prices it pays.

Instead JTI says it will concentrate on improving quality, marketing and adding new products to its existing stable of 65 brands including the top-selling Mild Seven brand, and others with equally American sounding names like Cabin and Hi-Lite.

"The most essential point is to provide the quality which attracts the consumer," said one JTI official perhaps aware of criticism that Japanese cigarettes tend to be harsher tasting than their US and British counterparts. "We think price, although it is important, is not the only factor."

The company is also beefing up its own relatively insignificant export business, mainly targeted at the Far East and aggresively marketing the cigarette equipment its machinery division manufactures.

In addition it is diversifying into property development, agri-businesses, biotechnology and phamaceuticals.

Nevertheless JTI executives say that tobacco will clearly remain the group's primary business and that the market is now truly open.

But foreign cigarette manufacturers do still face several key competitive disadvantages, particularly their access to the distribution chain where JTI is able to take advantage of its high volumes and centralised distribution network to reach the retail outlets and 36,000 vending machines.

In contrast some importers say they face a bottleneck because of limited bonded warehouse space, have difficulty obtaining market information and must still ultimately rely upon the five JTI-affiliated distribution companies.

Foreign cigarette companies have also complained about "dirty tricks" in the past. Last year they complained after they discovered that JTI was busy registering foreign company brand names with the Japanese trade office — a tactic JTI officials described at the time as a fair business game.

Sometimes the foreign companies haven't helped their own cause either. For example, a few weeks ago R. J. Reynolds, the US tobacco and food group, had to admit it had shipped cigarettes containing excessive amounts of herbicide to Japan.

Paul Taylor

Developments in new materials are of vital importance to the many high tech companies in Kyushu

Superconductivity research breakthrough

TOSHIBA, the Japanese electronics company, was responsible earlier this year for a notable breakthrough in the fast-moving area of superconductivity. It produced a wire made from oxides of yttrium, barium and copper that demonstrated zero electrical resistance at minus 23 degrees C, which at the time was the highest temperature at which superconductivity had been demonstrated.

Toshiba's work in superconductivity—the sudden decline in electrical resistance which occurs when materials are cooled—illustrates the general level of advance in materials research in Japan.

Many leading Japanese companies are increasing their research activities in this area as a way, so they hope, of laying the basis for new industries for the next century.

In recent months, superconductive materials have grabbed the headlines on the grounds that substances which show zero resistance at relatively high temperatures could have a marked change on a range of industries, including electricity generation, electronics, transport and medical equipment.

The publicity has been caused by the discovery that certain mixtures of materials, mainly based on ceramics, demonstrate zero resistance at relatively high temperatures. Hitherto, the only way to make materials behave as superconductors has been to cool them to extremely low temperatures, normally around −253 deg C. This has required use of liquid helium, which has a very low boiling point but is extremely expensive and difficult to handle.

The new advances mean that liquid nitrogen, which boils at −196 deg C, a higher temperature than helium, and which is much cheaper and easier to store, could be used in place of the lower-temperature liquid.

In turn, this could make superconducting materials, which hitherto have been reserved for extremely exotic applications, such as in the coils of powerful magnets used in nuclear physics, far more commonplace. For instance, wires made from superconductors could be used in electricity transmission systems, greatly reducing energy losses due to resistance and so saving vast sums of money for power utilities.

Most of the recent fundamental advances in superconductors have been reported from US laboratories. But Professor Kent Bowen, a ceramics expert at the Massachusetts Institute of Technology, says that the Japanese are not far behind. He says Japan has 20-30 laboratories doing "highly creative" work in superconductivity.

One of Japan's leading research groups in this field is run by Professor Shoji Tanaka, of the applied physics department at Tokyo University. Out of Prof Tanaka's 30-strong research team, 10 of the scientists have been seconded from companies, which include, in addition to Toshiba, Hitachi, Matsushita and Tokyo Electric Company.

Prof Tanaka says he expects to see the first fruits of his research in about four years, with the advent of laboratory systems based on the new generation of superconductors. He expects fully commercialised systems—such as medical equipment based on magnets which use the new superconducting materials—in about 10 years.

Another area of materials research strongly supported in Japan involves engineering ceramics. These are novel non-metallic, non-organic substances usually based on the oxides or nitrides of elements like silicon and zirconium.

The materials, which are light and strong and can also show useful electronic characteristics, are used in a variety of applications, from aerospace to car engines to computers.

According to projections by Japan's Ministry for International Trade and Industry, the market in Japan for engineering ceramics will grow from Y500bn ($3.5bn) in 1981 to Y10,200bn by the year 2000.

With their sights on this increasing market, Japanese companies are putting a lot of effort into ceramics research. Total research and development in this area in Japan accounted for some Y85bn in 1984, of which only about Y3bn was contributed by the Government.

A diverse range of companies is interested in new applications for ceramics. They include Kyocera, which is best known for making ceramic substrates for integrated circuits; Shinagawa, Toshiba and Kurosaki, all of which make refractory materials; Ina Seito and Noritake, which make tiles and china respectively; and engineering groups such as Hitachi, Sumitomo, Toyota and Toyoda Machine.

Electronics companies such as Fujitsu, NEC and Hitachi are putting a great deal of emphasis on research in electronics materials. Substances such as gallium arsenide and other compounds made from mixtures of lithium, nitrogen and boron can be used in a variety of products, including new generations of microchips, optical fibres and sensors that transfer light signals into electrical impulses (and vice versa) and which are used in optoelectronic devices.

Japanese companies have shown much interest in amorphous silicon, a non-crystalline form of the element. Compared with the crystalline form, which is the standard type of silicon used in today's microchips, amorphous silicon is relatively difficult to produce in large amounts, which has limited its use to date.

In recent years, however, engineers have made advances in producing amorphous silicon, coming up with new ways to deposit the material as films on to substrates of metal or ceramic. In these techniques, the engineers start with ways of producing a plasma (a mixture of energetic ions or charged atoms) containing silicon and then arrange for the plasma to come into contact with the substrate so that a layer is gradually built up.

The research thrust has come about because amorphous silicon has some clear advantages over the crystalline form. It can show better electrical characteristics, particularly for photo-electric applications, such as in photocopiers or solar cells. And electronic devices made from the amorphous form can, in theory, be very cheap because only thin deposits are required.

Among the Japanese companies most closely involved with amorphous silicon are Sharp, which makes electronic equipment and solar cells, and Canon.

Nippon Steel, Japan's biggest steel maker, is also trying to develop applications for amorphous silicon, as part of its drive to move into new areas of commerce. The company is doing this with the aid of a technology-exchange agreement with Energy Conversion Devices, a US company which has developed a series of techniques to turn out amorphous materials relatively cheaply.

With an eye even more towards the future, a group of companies in Japan has set up a research group aimed at exploring the potential for producing materials in the low gravity of outer space.

According to the group, the Japan Space Utilisation Promotion Centre, space platforms could in the next couple of decades house workshops for the production of substances difficult or impossible to make on earth. The classes of materials that might lend themselves to production with the forces of gravity largely stripped away include new semiconductors, drugs and alloys.

About 40 companies have formed the new centre putting up a total of Y600m to get it off the ground.

Peter Marsh

Texas Instruments' early involvement in the domestic market has paid dividends but . . .

The soaring yen presents a challenge

FROM THE outside Texas Instrument's Hiji semiconductor plant—perched on a hill overlooking Beppu bay in Oita prefecture—looks rather austere.

Inside the factory, built on the site of an orange grove, people and robots work side-by-side manufacturing and assembling high-volume, quality, integrated circuits for use in industry and by the consumer electronics sector.

Dallas-based Texas Instruments was one of the first foreign electronics groups in the late 1960s to spot the potential for supplying the Japanese domestic market from a Japanese base.

Today the US group has 50 plants in 18 countries, including the Hiji plant which started operations in 1973, five years after TI first entered Japan after a well-documented battle with the Japanese Ministry of International Trade and Industry which insisted TI have an initial Japanese partner—Sony which sold its 50 per cent stake three years later as agreed.

At the outset Hiji, one of four TI Japan plants in operation today with a total of 5,000 employees; all but three Japanese, assembled and tested bipolar integrated circuits with components imported from the US.

But since 1980 the plant has been "front-ending"—fabricating and assembling 4,000 kinds of integrated circuits including logic ICs (its major product), linear ICs and custom ICs built for particular customers—a market which Mr Fujio Akamatsu, facility manager, says "is growing fast" and is the market Hiji intends to focus on.

Some 95 per cent of the plant's output, tested and shipped from the nearby Kitsuki plant opened in 1984, is sold domestically to customer/competitors ranging from NTT, the Japanese telecommunications giant, to Toshiba and Canon, the electronics group which has a plant close by churning out sophisticated cameras using a Hiji TI custom chip which controls both focusing and shutter speed.

Overall about 42 per cent of the Hiji's output of finished integrated circuits goes to the domestic consumer electronics industry, up from 37 per cent five years ago. Taking advantage of their expertise in process technology Hiji managers say they listen to their big customers and then produce "good new products very quickly."

Hiji's strategy is simple, to keep ahead of the competition both in market penetration and product quality in the production of integrated circuits. That increasingly means looking for new markets and tailoring the product and production to customer needs. At Hiji they call it "solutions marketing."

"We have to make it quickly and in volume," says Mr Teizo Hotta, TI Japan's press relations manager. To achieve that TI Japan's salesmen, marketing men and engineers work closely together with customers while drawing upon TI's worldwide research and development resources. "We are," says Mr Hotta, "customer driven."

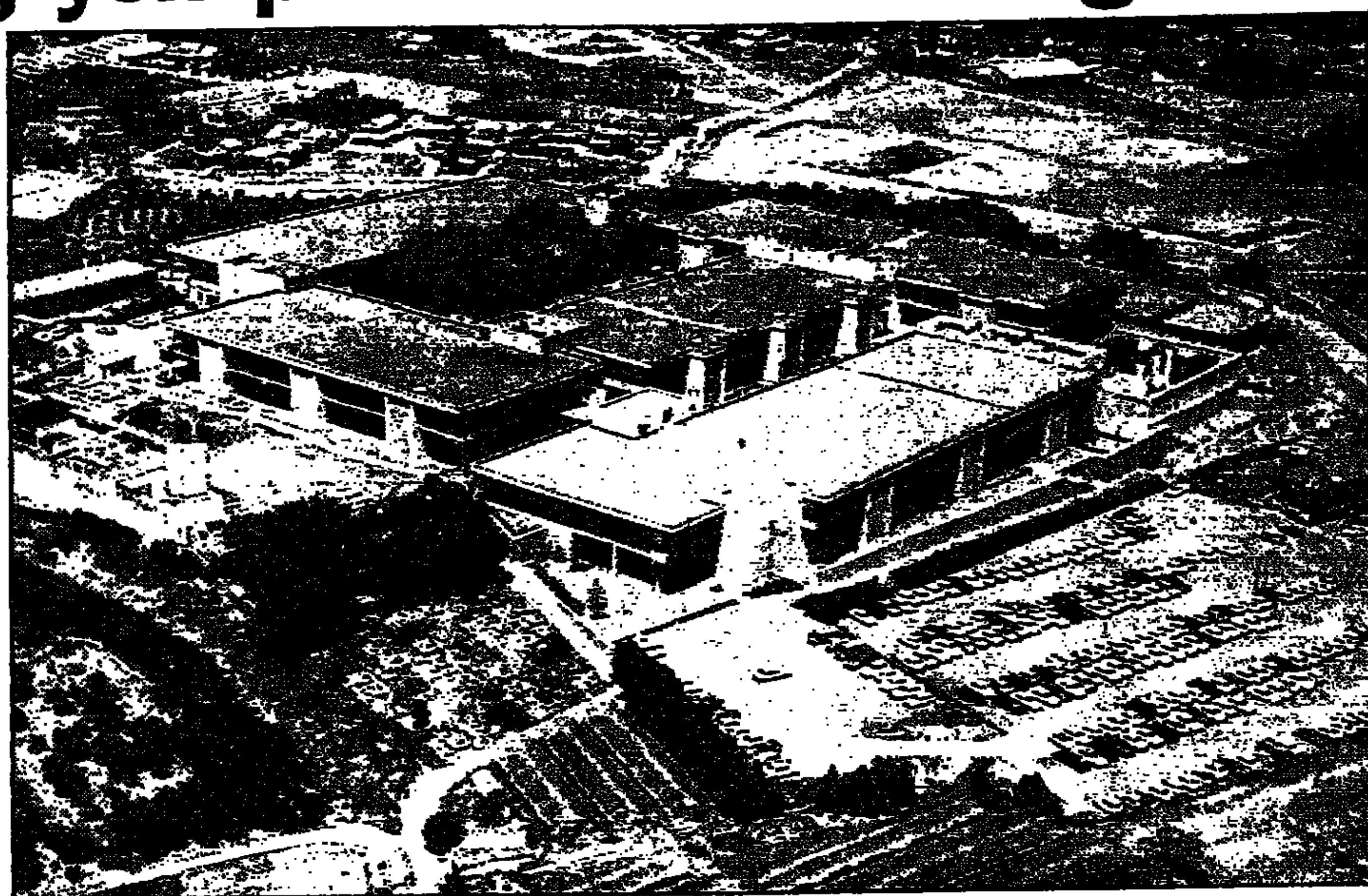
While TI does not publish figures for its individual operations, TI Japan is believed to have been profitable from the beginning and Hiji has played its part. Last October Hiji completed construction of a second front-end wing and has acquired another 23.4 acres of land for future expansion.

When TI ran into some problems with its Japanese operations in the late 1970s it was Hiji which helped provide the solution. In 1980 Hiji plant managers recommended a thorough overall of its operations based upon the management concept of Total Quality Control (TQC)—a strategy which aims, through quality control circles, to build into, measure and improve quality throughout the production process.

Five years later the Hiji plant won the much coveted Japanese industry Demming prize for its TQC programme—the first foreign-owned company ever to do so.

Since then TQC has been adopted throughout TI's Japanese operations and has even been exported back to Dallas headquarters, while Hiji's 1,500-strong workforce divided into 200 quality control circles, is still generating about 1,000 suggestions a month—50 per cent of which are implemented.

Hiji has led the way in other fields too. In 1980 the plant was probably the first in the world to introuce a complete water recycling system—part of what Mr Yohji Ohkawa, personnel director, describes as Hiji's determination to be "a good moral company"—one which continues to rank care of the environment alongside profits.



Texas Instruments Hiji semiconductor plant overlooks Beppu Bay in Oita

(Even today the plant produces 15 tonnes of tangerines a year from the 170 trees which survived its building. The fruit, which wins prizes, is given away to customers.)

Nevertheless TI Japan, like other Japanese semiconductor makers, has been hit by the industry-wide downturn—and the dramatic strengthening of the Japanese Yen.

The Hiji plant's workforce (70 per cent male with an average age of just 30) has shrunk by a sixth from 1,800. Plant managers stress the reduction has been achieved by natural wastage and not layoffs.

They also express confidence that although the ic market has slowed there are some signs of improvement after the recession of the past two years. In particular, they note that MOS memory prices are once again rising.

Nevertheless, they bemoan, in a quiet Japanes way, the fact that although TI Japan is a wholly-owned subsidiary of its US parent, as a Japanese company it has had to abide by the 10 to 20 per cent MOS memory production cutback "guidelines" imposed by MITI last year—ironically mainly in response to US anti-dumping pressures.

But today the primary challenge facing TI's Japanese operations, and other Japanese semiconductor makers, is the impact of the soaring Yen.

Mr Katsyoshi Ohsaki, Hiji front end manager, explains that although Hiji only exports 5 per cent of its production, mainly to the Far East, it has been indirectly hit by the Japanese currency's rise.

"We sell domestically, but a high percentage of our customers sell outside Japan, therefore they don't buy so much product or require lower prices," he says. Indeed Hiji managers say they face very strong pressure to reduce unit costs. They say some customers are requesting 50 per cent price reductions because, in order to export with some profit they are having to cut their costs almost in half to offset the yen's appreciation.

"It is very simple—but very hard to achieve," says Mr Ohsaki, "we don't have to take it, but if we don't we would lose that market."

TI's response is a mixture of improving productivity through further plant automation and use of robots, developing new up-market products and old fashioned belt tightening.

For example, on the advice of cost cutting project teams, Hiji managers have reduced lighting, taken the towels out of the toilets and insisted copy paper be used both sides. "We have done many things to reduce costs," says Mr Ohkawa. Even expenditure on company outings has been scaled back.

While such measures might strike a familiar chord in US or Europe, they are a largely new and unwelcome experience for the Japanese, as is the prospect of new competition from low cost producers overseas.

Today TI Japan's major competitors are its Japanese rivals and its American counterparts, buoyed by the dollar decline. But in the future they acknowledge that competition could come from the newly industrialised nations (NICs) like South Korea and Taiwan.

For the moment they believe that TI's experience and customer relationships in Japan, built up over the past 20 years, coupled with their product quality, will see them through. "We have the advantage (over NICS) in terms of experience and quality," says Mr Hotta, "they have to improve quality, then we see them as big competition, but it will not happen overnight."

In the meantime they are closely monitoring the increasing number of Japanese electronics groups which are going abroad—often to set up maufacturing plants themselves and thereby ensure continued access to valued overseas markets—as Texas Instruments did two decades ago.

Paul Taylor

How Komatsu moved into the epitaxial wafers market

Overseas plans for expansion

KOMATSU'S NAME is usually associated with heavy construction equipment—not the delicate silicon wafers that are the basic building blocks of the semiconductor industry. But just outside Nagasaki, Komatsu Electronic Metals, an 80 per cent-owned subsidiary, has built one of the most modern—and the largest—epitaxial wafer production plants in the world.

Epitaxial wafers are used by the semiconductor industry to manufacture the most advanced and complex integrated circuits including microprocessor CPUs—the electronic "brains" of computers.

They are made by heating a polished silicon wafer to more than 1,000 deg C using microwaves and then "growing," or depositing, a second layer of silicon atoms on the substrate.

KEM, founded in 1960 initially as a wholly-owned subsidiary, developed its own unique silane gas process technology to manufacture epitaxial wafers, part of which has since been licensed to Union Carbide of the US.

The Nagasaki plant, set up two years ago, currently concentrates on epitaxial wafer production, but has plans to expand its operations to become a fully-integrated producer of a wider range of speciality silicon wafers.

The company has two other plants, one near Tokyo and the other at Miyazaki, also on Kuyshu island, which manufacture silicon crystal and wafers.

About 6 per cent of the Nagasaki plant's output is exported, but KEM plans to boost that percentage, says Mr Michiro Aoki, director and plant manager. Among its target overseas customers is Intel, the US CPU manufacturer which has long been supplied by US manufacturers but which KEM says is currently evaluating its silicon wafers.

The group's two biggest domestic customers are NEC and Toshiba but it also has several big domestic and foreign competitors including Monsanto of the US for some types of wafer.

"We try to supply and compete on the basis of high quality," says Mr Michio Obata, manager of the production department.

KEM managers concede that because of the rising Yen, they face stiffer overseas competition, particularly in markets where quality is not the primary concern—for example, in the manufacture of electronic devices such as transistors and diodes. Accordingly, KEM is trying to reduce its costs, mainly through additional automation of its production lines.

However, KEM's position in the expanding high-quality top end of the silicon wafer market has helped insulate it against the more general downturn in the semiconductor industry.

Mr Masahiko Nagai, director of KEM's administrative department, notes: "The market is expanding . . . there will be ups and downs in the short term together with yen fluctuations. But we have an optimistic view for the future of our company."

Indeed the Nagasaki plant's 110-strong workforce is growing because of higher volume, and by year-end the company plans to build a new facility on the same site to manufacture CZ single crystal silicon.

KEM has other expansion plans as well. Recently its California sales office was set up as an independent subsidiary and while KEM managers say they have not decided whether to set up production facilities there yet, they acknowledge that they are looking to expand overseas in the future, in part to offset the impact of the stronger yen. "To compete you have to go overseas," the KEM managers say.

Mr Aoki, who was in charge of setting up KEM's Nagasaki plant when the one in Tokyo became too congested, says the group picked Nagasaki after looking at a lot of possible sites for a third facility because "land is cheaper here, there is a good-quality labour force and the airport is just 20 minutes away." For lightweight silicon products fast air transport is an essential distribution route.

KEM managers also mention that Nagasaki prefecture offered generous tax and land incentives to persuade KEM to locate in the area. At that time Nagasaki was the only prefecture (in Kyushu) that didn't have a high technology plant. Since then Schlumberger's Nippon Fairchild subsidiary has set up an integrated circuit plant nearby.

Paul Taylor

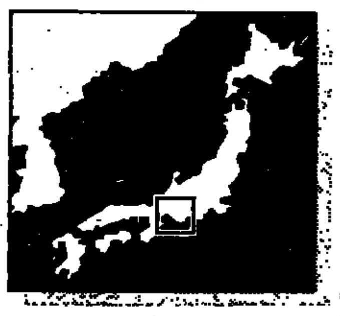
The Chubu economic region, with Nagoya as its hub, accounts for 20 per cent of Japan's output

Ready to adapt to new climate

THESE ARE testing times for Chubu economic region. This area of central Japan has ridden high on the wave of exports which have been a foundation of the country's economic success—but the economic environment has been transformed.

Officials in the region say it had been hit hard by the sharp rise in the Yen and the consequent blow to the profits of the many export-orientated companies which are based there.

The city of Nagoya, with the port and international airport serves as the nucleus for the region whose industries range from vehicle production (Toyota is based just outside the city), textiles, ceramics, machine tools and chemicals.



Nagoya
Central Japan

The region which now accounts for about 20 per cent of the country's industrial output, has a distinguished economic record. In the 13th century ceramics, cutlery and traditional crafts flourished. With industrialisation, the district produced heavy mechinery, railway cars, steel and car factories. By World War Two it was numbered among the four largest industrial complexes in Japan.

During the war it was the centre of the military aircraft industry and today it plays an important role in the country's aerospace projects.

But after the boom years, which followed Japan's "economic miracle" individual companies and the regional authorities are having to ride out an economic storm caused not only by the strong Yen but by import curbs on Japanese shipments of products such as cars and machine tools. Unemployment is reaching unprecedented levels.

The aim of industry and regional authorities is to carry out the adjustments necessary to reduce the impact of the chill economic winds and to lay the grounds for future growth.

Regional officials are hoping that they will be helped in their task by a stabilisation of the Yen and a boost to domestic demand which some have been strongly urging on the Government.

They point to the need for improvements to the transport system and plans for a new international airport—moves which would hasten the recovery of the region's economy. There are plans afoot to improve the port of Nagoya.

The region is also planning to use its pool of skills and experience in building up high technology industries. Major projects in Nagoya include a science park and design and information centres.

The Fourth Comprehensive National Land Development plan has designated Nagoya and the outlying area to promote research and development in aerospace, and fine ceramics.

The region accounts for well over half Japan's total product of fine ceramics which have a wide range of application in electronics, medicine and engine production.

The Japan Fine Ceramics Centre and Chubu hi-tech centre in Nagoya are, for example, working on the development of new materials and on electronics objects.

All these developments illustrate the region's ability to adapt to a new economic environment and to make its vision of the future a reality.

But concern about the Yen runs deep and many regional officials consistently underline the need for government reflationary measures to ease the road to change.

Bob Vincent

The Nagoya-based multinational, Japan's biggest motor group, is being forced to rethink its strategy

Tough year for Toyota's golden jubilee

TOYOTA MOTOR CORPORATION, the largest of the Japanese car groups, has something to celebrate this year—50 years ago it produced its first car.

But the company, while looking back on the success those years has brought, has its eyes very much on the future and the troubles which confront the Japanese vehicle industry.

It, like other Japanese vehicle producers, is having to cope with the high yen, sluggish demand and increasing competition.

The Japanese giant, whose manufacturing facilities are centred on Toyota City, just outside Nagoya, is renowned for its conservative policies and for its huge financial resources for which it has been dubbed "The Toyota Bank."

The group has achieved a rock-like presence in the domestic market with a share of more than 40 per cent—well ahead of its nearest rival Nissan—and has concentrated much of its overseas activities on the North American market.

In the year to June 30 1986 Toyota exported 1.1m vehicles to North America, where it is in the process of building plants, a volume which accounted for more than half the group's total export figure.

But there is speculation that the current pressures in the key US and domestic markets may force Toyota to change its traditional ways and reshape its business to the new mould being forced upon Japanese industry by the strong yen and increasing trade frictions.

The proposed deal with Volkswagen of West Germany, under which it will eventually collaborate to build 15,000 Toyota light commercial trucks, at VW's Hanover plant, West Germany, is seen by analysts as an indicator of the way that Toyota may move, albeit with traditional caution.

The pressures are intensifying. In the first half of the current year to December the group recorded a drop of nearly 38 per cent in pre-tax profits to Y180.58bn, giving warning of a setback in full-year profits.

In May, the group suffered a fall in demand in both home and export markets. Total vehicle production declined by 12.3 per cent on the same period last year to just over 271,000 units, which was the second consecutive monthly drop. Passenger car production during the period fell by 11.3 per cent to 199,811 and bus and truck production fell by 15 per cent to just over 71,300.

Domestic registrations totalled just over 126,000, down 2.2 per cent. In the middle of May, the group introduced model changes to the highly successful Corolla and Sprinter models, which it hopes will boost sales in the ensuing months.

The all-important export figure fell for the fourth consecutive month, by 9.5 per cent to 161,266 units, with car exports suffering a decline of almost 10 per cent to 105,501. In the January to May period both the US and SE Asian market saw export declines while shipments of cars and trucks to the sensitive EC market rose by 17.5 per cent, and by 10 per cent in May.

In the circumstances, the strong yen, which is slicing away at profit margins, coupled with tough competition and export restraints, is putting Toyota's management to the test.

Mr Hiroshi Okuda, director and general manager of overseas planning, stresses the importance of exchange rate stability. This condition is essential for long-term planning, he said.

However, he saw the yen remaining strong for some time and profits declining further, but he could not predict when the hoped for upturn would arrive.

In the meantime, Mr Okuda acknowledged that one way of tackling the burden created by the strong yen was to cut costs by improving the general production process from the design stage onwards, at which Toyota has proved adept. It has entailed setting specific cost-cutting targets.

Another option is to increase production abroad either through links with foreign companies or through wholly owned facilities. But on the key question of overseas strategy, Mr Okuda said the group had, apart from the VW link, no concrete plans at the moment to further expand overseas operations; while admitting that there was an increasing trend among Japanese vehicle makers to move production to sites abroad. Indeed, he pointed out that areas which have not been fully exploited included China, Brazil and Spain.

In practice, Toyota has been less energetic about setting up production facilities abroad than some of its Japanese competitors, notably Nissan and Honda.

Mr Okuda felt that the European car market, where the Japanese face export restraints, was as saturated as Japan's.

It is in North America that the group has concentrated its considerable industrial firepower. It is already operating a joint venture New United Motor Manufacturing Inc with General Motors of the US, one of the most efficient car assembly plants in the States. It is also building a new car plant in Kentucky in which it will be investing $800m and is putting C$400m into a plant at Cambridge, Ontario.

But the very opening of those plants may itself create problems for Toyota. They will start putting cars on the road at the very time when the US market is expected to be heavy with overcapacity. Mr Okuda warned: "There will be a very severe survival battle in the US in 1989-90."

The group has plenty of financial muscle to fight such a battle which promises to be particularly bitter in the 1800cc to 2000cc range. As well as having estimated cash reserves of more than Y1,000bn, Toyota has been raising money on the capital markets.

Its financial strength is also reflected in a recent survey of the earnings which Japanese groups made from investing their surplus funds. Toyota was put top of the table with estimated earnings of almost Y159bn from its investment in the year to March 1987. And, according to the survey, it will earn more this year.

Toyota is also planning to expand its dealer network in the US from 1,000 to around 1,300 over the next few years, and a second dealer network is being considered.

The battle in the US market is however likely to be a tough one. The small truck market, for example, which the Japanese manufacturers dominated, has already declined sharply as US manufacturers have fought back to claim around 60 per cent of the market.

It is also becoming increasingly difficult to compensate for the strong yen by raising prices. Mr Okuda pointed out that overall there had been a price increase every three months. The group needed to make more increases but it had to balance the need for price rises with the pressure on sales.

The competition is also hotting up in the domestic market, and analysts believe it will intensify since the build-up of overseas production will increase the pressure to step-up domestic sales in order to maintain domestic output volumes.

Nissan, for example, has just unveiled a new series of its Cedric and Gloria models in the 2000 cc-plus bracket.

But Toyota has the cash resources and marketing network to fight these battles, including that of a potential discount war in the US.

The group has also shown it can diversify. It has taken stakes in new telecommunications ventures in Japan, and has a prospering prefabricated homes business.

But the group plays its cards very close to its chest and just how it will use its resources—whether it will make further, significant overseas investments—has many people guessing.

The group's seemingly-unassailable position in the domestic market will, however, provide it with a solid base from which to fight the coming battles overseas in a period of trade restrictions and exchange rate unceraintly. **Bob Vincent**

Agriculture

Rice policy under attack

SOME CALL it the rice bowl plot, others say it is a debate on food security. No matter what it is called, the bubbling debate on Japanese agriculture has now boiled over into a new international headache for the Japanese.

Until recently, few outside Japan seemed to care that Japanese consumers paid two, three or even eight times the world price for their food, that their agricultural sector was heavily protected and inefficient, and that the imports of rice, for example, were banned.

But now, as the country faces growing international pressure to spend more, export less and reflate its economy, Japan's agricultural sector is coming under close scrutiny. Once considered inviolable, like religion or sacred cultural traditions, even Japan's rice policy is slowly being pulled onto the agenda for change.

The issue is much bigger, however, than boosting the price of rice. Entangled into the architecture of the country's protected farming sector are many of the reasons for Japan's exorbitantly high land prices and squeezed living conditions, its unusually high cost of living, and its wasteful food distribution system.

Untangle and reform this mess and Japan might become more like the rest of the industrialised world, argue the critics. The Ministry of Finance spends an estimated Y380bn a year on subsidising rice alone each year.

According to the Mitsubishi Bank, the abolition of Japan's food control system could save Japan more than $30bn a year in food costs. If spent on other things, maybe even imports, this could raise the GNP by a full one per cent.

Given Europe's own traumas over agricultural support systems, it has fallen to the Americans to start the fight with the Japanese.

Late last year, the US Rice Millers' Association petitioned the US government under Article 301 of the 1974 Trade Act to force Japan to open its rice market. The petition was turned down by the US government, but by summer this year, the RMA had decided to refile the complaint, probably in September.

In the meantime, the issue has been taken to the General Agreement on Tariffs and Trade in Geneva while the Americans continue to press for bilateral talks on the matter.

So, from total silence on the subject less than six months ago, now hardly a week goes by in Tokyo without some kind of call for agricultural reform by a leading politician, newspaper or business group.

Prime Minister Nakasone set the tone in his speech to the opening session of the Diet this year: "There is strong popular interest in rectifying domestic and international price disparities and in promoting further improvements in productivity."

Indeed, by July, the government had decided to force the first cut in the farmers' price for rice in more than three decades. Although the cut, 5.95 per cent, will almost certainly not reach the consumers, the move comes as a psychological blow to Japan's powerful agricultural co-ops.

These co-ops, which control the food business in Japan from fertilisers to distribution, are among the strongest political and business forces in Japan. Despite the new mood for change and increased pressure from outside, however, the co-ops are determined to fight any changes in the system which would diminish their consideralbe power.

"Our view toward trade friction is that the problem is being caused by the export of cars and industrial products," says Mr Iwao Yamaguchi, senior executive director of the Central Union of Agricultural Co-operatives (called Zenchu in Japan).

"The agriculture sector is a net importer, accounting for 14.3 per cent of Japan's total imports. If rice imports were allowed tomorrow, they would relieve only a fraction of Japan's huge trade surplus with the West," he says.

Such comments, of course, do not find much favour in Japan's business community. Japanese goods and services are accepted worldwide thanks to free trade principles and the belief that the consumer knows best.

But Japan's co-ops do not want to join any kind of free trade system. At the moment, Japanese farmers simply could not compete.

The average Japanese farm, for example, is only 1.2 hectares. In the European Community, by contrast, an agricultural establishment of less than one hectare is not even considered a farm. Japanese production costs of rice, for example, are about 5.6 times those in the US because of the small plots.

Further, the co-ops, which have nearly 50,000 employees themselves, have little interest in seeing prices go down.

Bob Vincent

The capital city is looking to sea reclamation to ease spiralling land shortages

Waterfront megalopolis takes shape

TOKYO IS SUFFERING *from* the big city blues. It is facing some spectacular problems and is offering some equally spectacular solutions, including one which will transform Tokyo Bay, and make it the home for a dozen mini-Manhattans.

The sprawling city of more *than 12m people has seen land* prices skyrocket, its expressways *clogged with vehicles and* its public transport system come under increasing pressure. But still more and more people want to live in Tokyo and more and more people are having *to* do so.

The *city is effectively* being ruined by its own popularity—a *popularity*, and ability to absorb funds, which raises hackles in Japan's other regions. There is even talk of two nations emerging—Tokyo and Japan.

The price of land is a burning issue in the city. The National *Land Agency estimated that last* year residential land prices *soared by nearly 77 per cent* which easily surpasses the 35 per cent increase experienced during Japan's last construction boom of 1973-74.

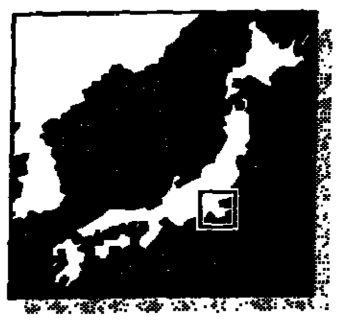
As a result of the inexorable rise in land prices, many—even the comparatively *well off*—are giving up the idea of ever own*ing their homes. Foreign com*panies are having to dig deep into their pockets to *pay* for offices in what is fast becoming a mecca for major finance-orientated companies.

The primary reason for the astronomical rise in land prices is the shortage of office space *which has been compounded by* the influx of foreign companies *to Tokyo.* The price *spiral has* been fuelled by speculation and the government is introducing measures to curb this.

But while the Tokyo of the latter part of the 20th century grapples with its land price and *congestion problems plans are* going ahead for a city of the 21st century.

The aim is to construct the world's largest megalopolis on the waterfront of Tokyo Bay at a cost of more than $100bn over the next decade or so. The plans, which have an emphasis on the service and financial sectors, will include elaborate *information and telecom*munications systems, housing complexes, parks and leisure and shopping centres as well as new roads and railways.

Large areas of land in the bay will be reclaimed for the schemes which encompass Yokohama, Kawasaki, Tokyo



Tokyo

and Chiba. The high prices of land in central Tokyo have made land reclamation, at which the Japanese are skilled, a viable proposition.

Some land around the bay is being made available as Japan's *former industrial stars*, such as steel and shipbuilding, move out. These industries went into the area during the high economic growth era of 15 years ago and the post-war reconstruction period.

The money will come from public and private funds and is *viewed by the national govern*ment as a means of boosting domestic demand. However, public money is tight and much emphasis is being put as a result on investment from Japan's cash-rich companies and financial institutions.

There are 50 big projects, some of which *have already* been started, including plans *for futuristic* cities and a highway—part bridge and part tunnel—across the bay itself.

One of the most audacious is the plan for Tokyo Teleport, a development which will greatly enhance Tokyo's attractiveness as a *financial centre. It will* have a total floor area of 340 hectares and *is to* be built on a large man-made island.

The project will cost around Y2,000bn and will be equipped to handle the latest telecommunications systems. These will include a satellite communications base, a telecommunications centre and intelligent *(automated) buildings. It will* also have shops, hotels, restaurants, a residential area and convention facilities.

A bridge is being built to link the reclaimed land on which it is constructed, to mainland Tokyo.

The planned trans-Tokyo Bay highway will stretch for 15 km and will be part tunnel and part bridge. It will link Kawasaki to Kisarazu, cost more than *Y1,000bn* and *take 10* years to build. The journey from these *two points takes about one and a* half hours—the bridge will theoretically reduce that time to 15 minutes.

Yokohama City has plans for a huge urban development which will be built on existing and reclaimed *land*. This *will* extend over 186 hectares and *cost more than Y2,000bn of* which the public sector will provide Y330bn.

The intention is to include a teleport with satellite communications and the latest in optical fibre networks, a conference centre for 5,000 people, museums and parks. Yokohama *City is providing the largest* amount of investment and is receiving central government subsidies.

On the opposite side of the bay to Yokohama there are plans for a major development *in Chiba* prefecture *involving* private and public investment *which with its exhibition and* convention centres will create a new city centre for Makuhari.

But plans for such massive projects cannot pass by without criticism Mr Shunsuke Sasaki, general manager of urban and regional planning department in the Mitsubishi Research *Institute*, points *out that* the projects will inevitably make *significant impression on local* environment.

The water surface will be reduced and so possibly effect the area's weather—summers will become hotter and winters colder. Water pollution will have to be guarded against and measures will have to be taken *to ensure that there is sufficient* drainage.

Local fishermen and conservationist have attacked the plans. The fishermen complain that they will be robbed of their grounds and that fish will die in the so-called blue tide.

Concern has also been voiced *that people have not been consi*dered enough in the developments.

Mr Sasaki agrees with this *view. "Some of the projects* have been developed by private *companies with the emphasis* on profits while homes and parks tend to be neglected." He stressed the necessity of guidance from the authorities to ensure a correct balance was achieved.

There is one other factor—the danger of a major earthquake. *The last major one was in 1923*, and everybody in Tokyo is talking of *yet another* major quake being overdue.

Mr Sasaki pointed out that if a major earthquake were to occur Japan would be paralysed if all *its* major communication centres and business were concen*trated in the one area.*

He strongly advocated dispersing these facilities *as an* insurance against severe disruption. This is being addressed by the *Government* through the national development programme.

Mr Shunichi Suzuki, governor of Tokyo, was recently asked if there were too much concentration on Tokyo's development at the expense of such areas as Osaka and Nagoya.

He stressed *that the* imbalance should be corrected but *that it was inevitable* that Tokyo would continue to act as a magnet.

Mr Suzuki added that a wall could not be built around Tokyo to stop people moving in and as long as they could physically take newcomers it was their policy to do so.

*Tokyo Bay and its develop*ment will presumably help them to continue that policy, although time is pressing.

Bob Vincent

The world at the touch of a button

THE AMBITIOUS plans for *Tokyo Teleport are regarded as* a symbol of the development which is *taking* place around Tokyo *Bay*.

The Y2,000bn project with its advanced telecommunications systems and information centres is geared to Tokyo's drive into the financial services and its emphasis on internationalisation—enhancing its *global role*.

The teleport is to be built on an area of reclaimed land of 98.3 hectares which is owned by the city's Metropolitan Government.

The metropolitan government plans to build the basic infrastructure on the huge man-made island and it will press ahead with the project *in co-operation* with national organisations and *private enterprise*.

The project, which is due to be partially completed by 1993, includes intelligent buildings, satellite communications and an array of optical fibre networks so that companies will have access to the rest of Japan and the world virtually at the *touch of a button. The aim is to* create a centre for commerce.

The telecom centre will com*prise a twin* tower about 100 metres high on the roofs of which there will be eight earth stations for satellite links.

Leisure has not been forgotten for the 100,000 workers and the thousands of visitors who will be going to and from *the* island. It will incorporate restaurants, shopping centres, hotels and homes. And all will *be built to high safety stan*dards.

Good road and rail communications will be essential. The centre will be about 6 kilometres from Tokyo central station. A bridge, due to be completed in *1992*, will *link* the island to the Shibaura area of *Tokyo and road and rail com*munications are due to be improved.

For all its obvious attractions, however, some observers feel that it may prove difficult to attract companies to the island site against the lure of central Tokyo. Such an argument could apply to a whole range of Tokyo Bay projects.

Bob Vincent

Community policing, based on the ubiquitous koban system, keeps crime rates low, even in Tokyo

A happy lot for the policeman

A POLICEMAN'S LOT in Ginza *police box in the heart of Tokyo* would appear to a happy one. *The mini police station, or* koban, is in a thriving commercial area and is manned throughout the day by up to four officers.

They cover an area of about four square kilometres and on average deal with hundreds of routine inquiries from people *wanting street directions* a day—but only a few real crimes.

The work carried out at *this* squat koban, which sits amid a sea of people most of the day and which is dominated by the surrounding high rise buildings, may not be entirely representative but in one sense it exhibits a *fair* reflection of crime in Japan—it is low compared with *many industrialised nations.* Crime in Japan, as one expert put it, is not an issue.

And it is this fact that strikes the Westerner in Tokyo. It is a vast city of around 12m, yet far from being a hot bed of crime, it is considered a safe city.

For instance in a police survey *carried out last year* old people were asked what they most feared. Top of the list by far was road accidents, second came a natural disaster such as an earthquake, while burglary was placed third.

The authorised strength of the police force, including administrative personnel *is* 256,631, and the educational require*ments for* entry *are high. Accor*ding to the National Police Agency there is around one police officer to 550 citizens and this, says the agency, is considerably larger than that in any Western country.

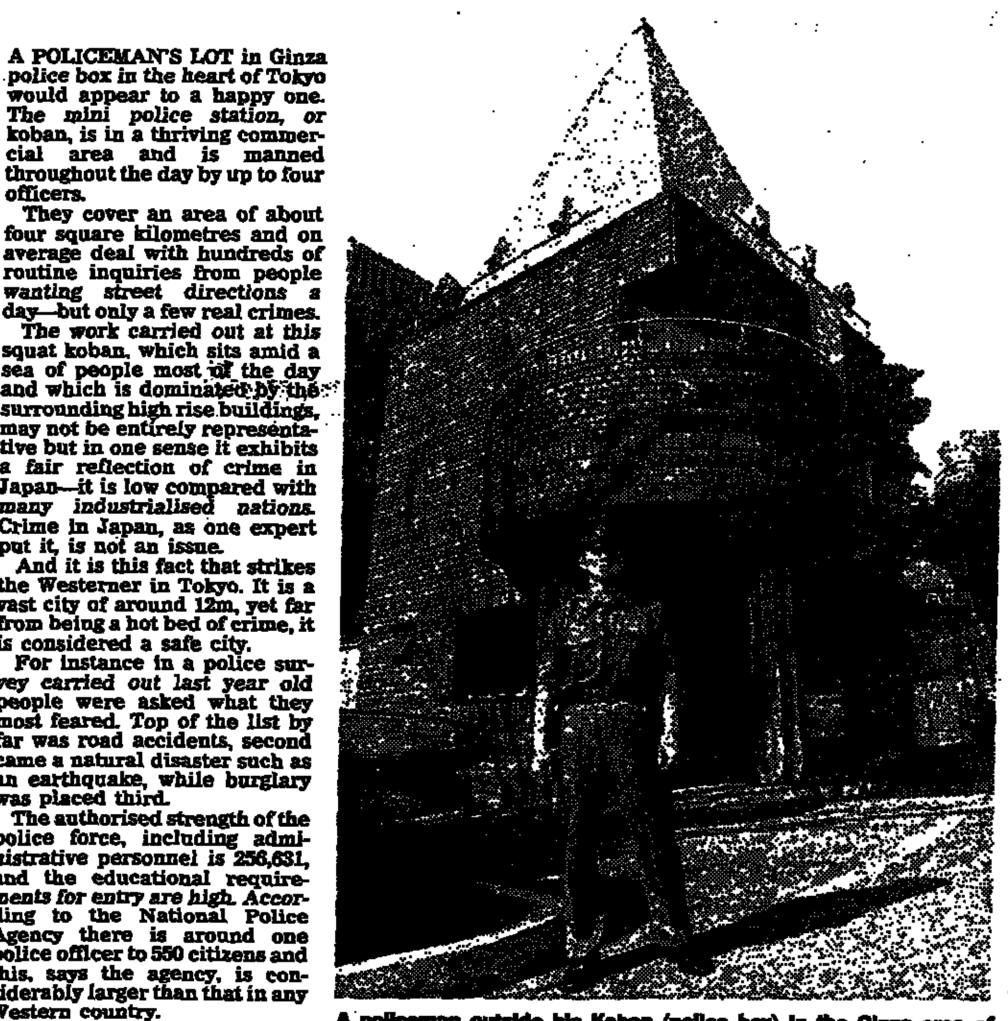
The koban system is one of the central features of the Japanese *police* and one of *which is it* particularly proud. The system, based on community policing, has been adopted by Singapore.

There are about 6,000 koban, which are used in towns and cities, while in the rural areas officers operate from home. Japan has about 9,000 of these *so-called residential* police boxes.

The crime rate is, however, going up—the number of cases known to the police in 1985 reached a record of more than 1.6m cases—but it is still far less in proportion to the population than that in many western nations.

According to the police agency, the number of cases of robbery per 1,000 of the population is about two in Japan while in the US it is more than 200. As for murder the number of cases per 1,000 of population is *around 1.5 in Japan while in the* US it is about eight per 1,000.

The vast majority of the cases dealt with under the Japanese



A policeman outside his Koban (police box) in the Ginza area of Tokyo

Penal Code come under the category of larceny, which account for more than 80 per cent. Drug offences are causing concern. These are mainly in the area of soft drugs as opposed to drugs such as heroin.

The number of drug offences have been increasing for some *years and in 1986 the police* arrested more than 21,000 people for drug-related offences, about half of whom were associated with racketeers (boryokudan). The racketeers for whom narcotics is a very profitable business are blamed for the persistent rise in drug abuse.

The most notorious of the gangs are the mafia-style Yamaguchi Gumi, the Inagawa-kai and the Sumiyoshi-rengokai. These gangs which have been involved in *inter-gang killings* make their money from gambling, *bookmaking*, fraud and other business crimes. The police regard them as the "social enemy."

But the intriguing question is why Japan's crime rate, even with the vicious gangster element, on the whole so low. Its cities, for example, are crowded and in many countries would be regarded as breeding *grounds* for criminals. This, however, *does not seem to be the case* in Japan.

The reasons are both social and economic, according to the police and experts on crime.

Japan has an unemployment rate of only 3.2 per cent and the high jobless rate in some western countries is often quoted as a reason for rising crime figures.

But Mr Tetsuya Fujimoto, professor in the department of law at Chuo University, Tokyo and *senior police officers point to* several other reasons.

Mr Fujimoto said: "Japan's postwar economic growth has led *to* improvements in the material standard of living and in education. In addition 90 per cent of the people see themselves as middle class." In other words *there are not perceived* to be any major class divisions which *could create crime*.

The police, he added, were proud of their high clearance rates of crime which in 1985 was more than 64 per cent, although this figure masks a very high clearance rate in some categories of offence. The high rate of detection obviously has a deterrent *effect*.

The administration of crimi*nal justice is highly efficient*, said Mr Fujimoto and most cases are dealt with in six months. There is also strict control of firearms in Japan.

But one of the reasons for the country's lack of crime on which much emphasis was put was the very nature of Japanese society. *For a start Japan is an island* with a homogeneous culture. Mr Fujimoto *stressed* that it *had* a system of values based on group solidarity, mutual dependency and concord rather than on individual liberty, independence and assertiveness which characterises western society.

The society, he added, also exercised informal social control through *the family, school* and community. This has proved very effective in Japan, although its ability to react as a restraint has become weaker year by year.

The Japanese also trust their *police. As one* senior officer put it: "The people trust and have a *good understanding* of the police and co-operate with the force."

The Japanese police like forces throughout the world has embraced the latest technologies, from computers to use of *helicopters in the battle to fight* crime, but many officers credit *the traditional* koban system for much of its success in holding down crime *and bridging* any gap between the force and the people.

The system enables them to regularly make personal contact with people who live and work in their area, and it *ensures that the force maintains* a high but not overbearing *profile*.

Police in Japan do, however, carry guns. But *an officer* in Ginza koban pointed out that during his 35 *years with* the force he had not had to use his gun. Their use, he *pointed* out, was extremely rare.

And what about the *clubs* the police carry? Again, these are very rarely used as weapons—but, he pointed out, they make very useful measuring *sticks*.

Bob Vincent

Leisure

Youthful high-spenders intent on enjoyment

STROLL AROUND one of the fashionable districts of downtown Tokyo and you may begin to understand why the leisure market is destined to be one of the most profitable and buoyant business sectors in Japan over the next couple of decades.

A new breed of hedonistic young people, known locally as the shinjinrui (literally the "new buman race"), are seeking pleasure and enjoyment at home as doggedly as their fathers once sought profit and orders abroad.

According to Mr Kenji Tokuda, an economist at the Long-Term Credit Bank of Japan who specialises in the tertiary sector, the shinjinrui will delay marriage and cut spending on traditional "necessities" in order to maintain a stylish and enjoyable lifestyle.

They will skimp and save in order to ski in Hokkaido, frequent the fashionable restaurants and nightclubs, and drive a flashy Toyota Soarer.

The shinjinrui of Tokyo may not be entirely repesentative of the Japanese young, but there seems no doubt that a generaton is emerging that wants to work in order to live rather than vice versa.

Young people's willingness to divert spending power towards leisure pursuits is one reason why Mr Tokuda forsees a buoyant future for the Japanese leisure industry despite a slowing in overall economic growth from earlier decades. But he suggests that the changing aspirations of women will also be an important factor.

Housewives, like the young, are shifting their expenditure towards leisure. In Tokyo, he says, they are even turning to firms offering house-cleaning services in order to create the time for such Western-style diversions as aerobic classes, tennis lessons and cultural education (for example the study of classic Japanese novels).

There is a growing recognition at all levels of Japanese society that people need to devote more time to leisure. A study by psychiatrists at the Jikei University School of Medicine recently revealed that the average salaryman suffers from drowsiness throughout the week because of insufficient sleep. This in turn reflects excessive working hours and long journeys to and from work.

Mr Motoyuki Miyano, a retired civil servant who now runs the Tokyo-based Leisure Development Centre, stresses that working hours are quite out of line with those in other rich developed nations. On average, the Japanese work 2,160 hours a year compared with 1,952 hours in the UK and only 1,659 in West Germany.

But, Mr Miyano argues, workers' willingness to accept these hours is declining: a poll carried out last autumn indicates that 27.5 per cent of the workforce would prefer to work fewer hours even if this meant less money. This is a higher proportion than in the past and the figure is expected to rise 30 or 33 per cent in the near future.

The ministry of labour is projecting a 15 per cent decline in annual working hours between 1985 and 2005 and a big increase in the number of days holiday each year.

Japan is expected to move the whole workforce on to a five-day week (instead of today's 5½ days), unlocking an extra 27 Saturdays for leisure pursuits. The number of paid and national holidays will also rise, creating in all an extra 43 days of leisure for the average worker.

The reduction in hours seems bound to boost a Japanese leisure market that is already surprisingly large. According to Mr Myano, it was worth Y54.4 trillion in 1986—16.4 percent of GNP or 28.5 per cent of final private consumption.

The scale of expenditure partly reflects the very high cost of leisure activities in Japan: membership fees for golf clubs, for example, are reckoned to be about 10 times higher than in other countries.

Surveys suggest that the activities favoured by ordinary Japanese families during their present leisure time are not necessarily a good guide to what they would do with additional holidays. thus, although nearly 80 per cent of those polled spend their regular weekly free time in the home, only 50 per cent would spend additional regular leisure time in this way. A big proportion of the remainder say they would make day trips to sports, recreation and cultural centres if these were available close enough to their homes.

Similarly, about 39 per cent of Japanese workers tend to stay at home if they have more than three days of continuous holiday. But, given the chance of two weeks of continuous holiday, only 23 per cent say they would stay at home. Most of the rest would make use of resorts necessitating a night away from home.

If longer holidays do become socially acceptable in Japan, there is great scope for an expansion of the hotel and resort business.

The Japanese government is well aware of the need to improve leisure facilities. Indeed, an expansion of the leisure market is an important component in the agreed strategy of boosting consumption at the expense of saving, services at the expense of manufacturing and domestic demand at the expense of exports.

In May, the so-called "resort maintenance bill," was passed. The medium-term aim is to create a series of resorts of recreational areas throughout Japan, thus making maximum use of the country's diversified climate. Private companies entering into partnership with local and central government to create recreational facilities will get tax privileges.

In spite of government plans, Mr Tokuda at the Long-Term Credit Bank argues that a still very restricted domestic supply of leisure facilities will constrain the growth of the leisure market whatever happens to demand.

As he points out, there is a limit to the number of times that young people will want to visit the Tokyo Disneyland.

The ideal solution, of course, would be for the Japanese to spend much more on foreign holidays. Mr Miyano at the Leisure Development Centre points out that only 4 per cent of the population go abroad each year compared with 38 per cent in the UK, 27 per cent in West Germany and 11 per cent in the US. The growing penchant for leisure after four decades of sweat and toil could yet become a valuable weapon in the battle to reduce the country's enormous external surplus.

Michael Prowse

Old and new ways of leisure : Ladies playing croquet and right teenagers shopping for Italian fashions in the Seibu store

Profile : Seibu Saison

Trendsetter in the holiday market

THE JAPANESE love to shop. Visit any downtown district on a Saturday or Sunday and be prepared to be mobbed by hordes of young people who consider shopping part of their way of life.

Despite Japan's notorious penchant for saving, the trend is clear that young people are saving less than their parents and spending more. Now, one of Japan's largest and most prestigous store groups is hoping to channel some of that passion for shopping into a passion for holiday-making, an industry which is still in its infancy in Japan.

Seibu Saison, a $20bn-a-year family-owned company, aims to sell leisure to the Japanese with the same flair it has been using in retailing. Japan's largest high-quality stores group, Seibu is the strawberries and cream of Japanese retailing.

The Seibu stores mix frothy, up-to-the-minute fashion with both the exotic and the ordinary in stores which seem allergic to the traditional concept of counters and hanging racks of clothes.

"Some people buy things because they have a physical need, some want to express themselves, others need to find themselves. It is therefore dangerous for retailers to get fixed ideas about what people want or need," said Seibu Saison's chairman Seiji Tsutsumi recently.

Indeed, scarcely a year passes when Seibu doesn't open a trend-setting store of one kind or another. Seibu Seed in Tokyo, with its slate grey interiors and emphasis on Southeast Asian imports, is just one of its latest examples.

It is this trend-setting reputation which it is now applying to the leisure industry.

"It's not true to say that the Japanese haven't taken holidays in the past. They were just very short, usually a weekend. If they took days off, they did not go to the office and that was it. They didn't plan holidays to go anywhere, just to recover from work," said Mr Keisuke Egashira, president of Seibu International, a division of the Seibu Saison group.

This is now changing, he says, with more people taking longer holidays and people planning ahead. As a result, Seibu has moved into the package holiday business, emphasising personalised luxury tours for the high income bracket.

This business, while still middle-sized compared to the competition, is one of Seibu's fastest growing.

But Seibu is even more committed to developing leisure industries in Japan. Here, Seibu feels it is very nearly a pioneer.

"People have enough clothes in their cupboard and they eat enough so now the next thing is to enjoy life. Our per capita income is the highest in the world ... but how do you convince people of that?" asks Egashira. He says that the task ahead of Seibu is to persuade more people to have active, not passive, holidays.

Its first major attempt at encouraging the Japanese to play more will open later this year — Japan's first Club Med holiday village. Built as a joint venture between Seibu and the French-based Club Mediterranee, the Club will feature skiing in the winter, and will offer 10 indoor and outdoor tennis courts for year-round tennis, a gymnasium for other sports, and club instructors for golf, archery, volleyball, basketball and other activities.

Anyone who has skiied at a Japanese ski resort knows that skiing, and not much else, is on offer. The new Club Med aims to convince the Japanese that there is much more to a holiday than sleeping ten to a room on tatami mats and getting drunk on the local beer and sake in the evening.

Seibu and Club Med are already in the final stages of choosing another Club Med Village location for southern Japan, to be announced later this year.

"How profitable (the new leisure developments) will be remains to be seen," says Egashira. "It requires development and investment, it's not just a travel agency or a restaurant or a hotel, its a combined business effort," he says.

Many of the customers, he says, will be using the Seibu Saison credit card to finance their holidays. This will provide a valuable list of Seibu's new leisure customers plus their wants and desires in a holiday.

"This will give a data base for future planning," he says.

Other Seibu plans include marina developments along Japan's under-utilised coastline. It has already opened four yacht harbours in Japan's Izu peninsula and is now organising and sponsoring yacht racing and a world wind-surfing competition. "We think there is a big future in marine sports in Japan," he says.

It also has ideas on sponsoring hang-gliding competitions, building more horse-riding facilities in Japan and encouraging more competitive bicycle riding. Its main forum for advertising these new activities will be its store groups, both the upmarket Seibu stores and its department store chain, Seiyu.

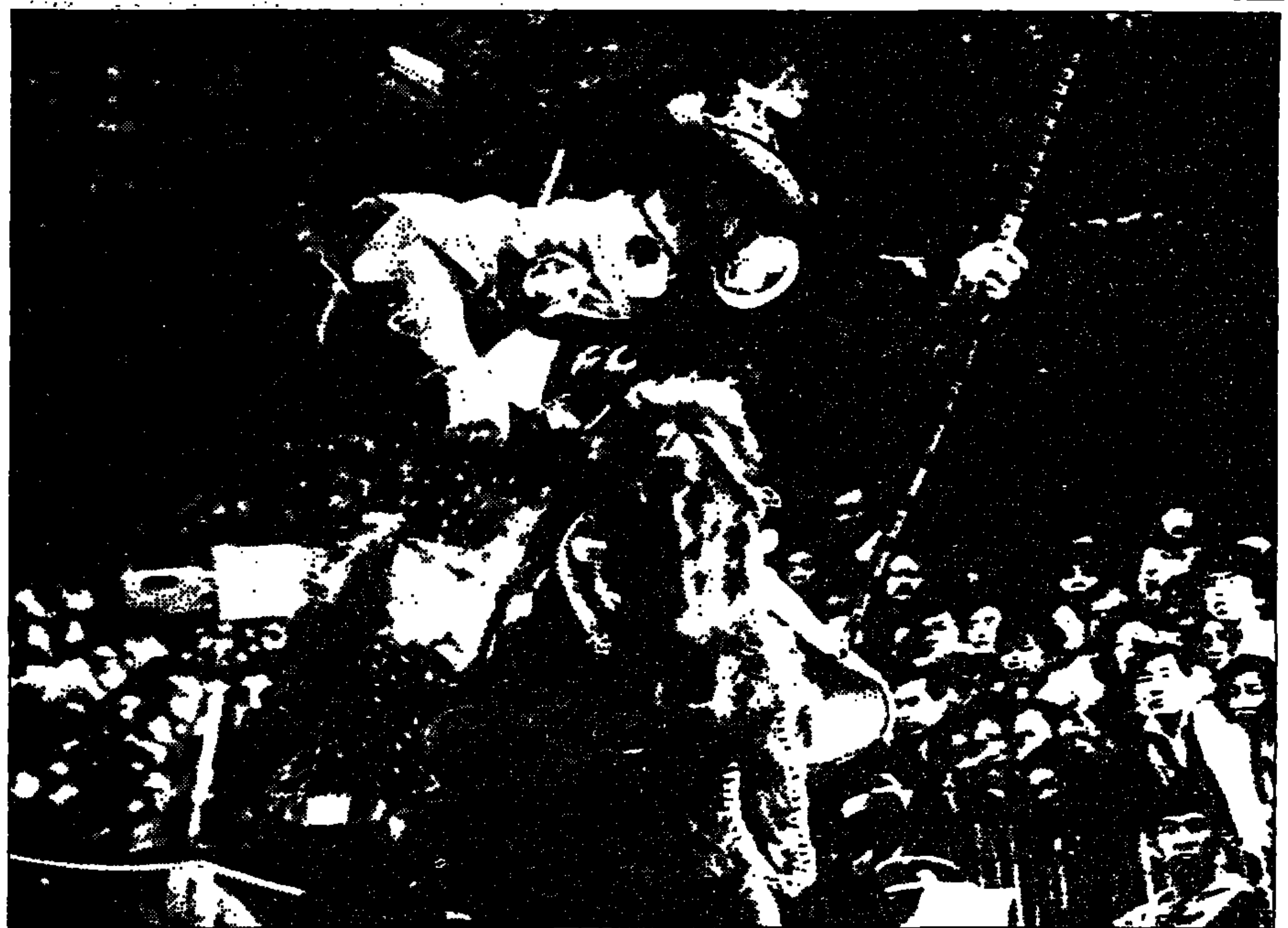
Seibu's flagship store in Tokyo, for example, gets 350,000 shoppers passing through in a day. "Our big stores are our own main media for advertising," says Egashira.

Further, the company is gingerly advancing into the hotel business, starting with Tokyo's newest and most expensive hotel, the Hotel Seiyo. With 80 suites at an average of £250 a night, the hotel has abandoned the traditional Japanese method of financing a luxury hotel through banquets and functions.

This hotel only has its suites and its restaurants, no weddings or conferences, enabling the guests to have complete quiet and privacy.

"Shopping is only part of a person's life. We want to meet all the requirements of our customer's life," says Egashira.

Carla Rapoport



Yabusame: Samurai Horseback Archery

The Arts

Foreign culture squeezes out domestic artists

TO ILLUSTRATE the high level of international arts available in their city, Tokyo people often make a comparison with how well-served they are by foreign restaurants. They are proud to have the world's cuisine at their disposal.

Now the world's best arts, too, can be seen without going abroad because Japan's age-old taste for foreign culture has been accelerated by its new-found wealth.

From every continent they come—performers and works of fine art from both eastern and western Europe, North and South America, Australia. Even neighbouring Asian countries, which used to get short shrift, are getting a look in with an increasing number of events from China and Korea being staged in Japan. Next year, for example, Japan will host a six-month long Festival of India.

In the past year, musical visitors have included the London Philharmonia Orchestra, the Vienna, Berlin and Philadelphia Symphony orchestras plus their super-star conductors; the contemporary composers John Cage and Iannis Xenakis; opera singers Placido Domingo and Kiri Te Kanawa; the operas of Covent Garden, Deutsches Staatoper and East Berlin.

World-class ballet has been represented by Britain's Royal Ballet, and those of the Bolshoi, Kirov, Paris and Australia plus Mikhail Baryshnikov and Roland Petit.

Modern dance offered has included Merce Cunningham, Alvin Ailey, Pina Bausch and the American Dance Theatre.

Peter Brook and Antonio Gades came with their respective Carmens while among the original Broadway musicals were 42 Street, Chorus Line and Tango Argentina. Tommy Steele danced in with the musical Singin' in the Rain from London's West End.

Nor have the movies been neglected. Several major film festivals plus their famous directors have descended on Japan. These culminate in September in Tokyo's own international festival with more luminaries flown in for personal appeareances.

On the fine arts side, exhibitions of Turner, Gauguin, plus a comprehensive exhibition of European art have drawn record crowds. Tokyo is now established as one of the world's monied centres for previews of Christie's and Sotheby's auctions—as evidenced by Japan's well-documented moves in international art buying.

Many of these arts can now be seen in increasing comfort and sophistication. A number of new venues have been built—the Suntory Hall and Seibu Ginza Saison Theatres being the most recently completed. The dreary old, multi-purpose halls in the middle of nowhere are at last being superseded by more centrally-located world-class concert halls, cinemas and theatres.

Several promoters—of which the largest are the Japan Performing Arts Foundation under Mr Tadatsugu Sasaki, the Japan Arts Corporation, Kajimoto Concert Management, Kambara Music Office, CBO, Nippon Cultural Centre—serve a sophisticated and choosy public.

The arts business operates much like every other business in Japan: meticulocsly researched, a high level of well-diffused information, and nothing left to chance. As early as six months ahead the media, public transport, hoardings and even lamp posts carry notices of forthcoming events, saturating Tokyo's 20m daytime population with details.

In addition, millions of zappy, vividly-coloured handbills are distributed in outlets which range from restaurants and bars to stations and travel agents. Demand is high and tickets are soon sold out.

The Japanese market for imported arts seems at first glance to be a promoter's dream. Particularly, it is affluent. The combination of factors such as high disposable income (most single people as a result of living rent-free at home have as much as $1,200 per month to spend as they please); a population with few outlets for spending on Japan's small homes plus the need to escape them, results in a cash-flush society with plentiful funds for leisure.

Recent figures show total leisure spending to be $345bn, representing 27 per cent of private consumption expenditure. The arts market accounts for only $11bn and has relatively few participants. However, Placido Domingo or the Royal Opera can still fill the house with ticket prices in the $200 range.

Mr Tadatsugu Sasaki's latest cultural offering aptly illustrates Japan's ability to pay if the product is right. For the next three years at the rate of one major series a year, the Japan Performing Arts Foundation will present operas by Europe's leading houses. Berlin, Deutsches, La Scala and Vienna.

This year, the performance of Wagner's entire Ring cycle in the autumn — the most expensive tickets for the four-opera package cost $915 and were the first category to be sold out.

Single opera tickets, at up to $246 each drew hundreds of fans, scores of whom queued for two nights before selling started.

Much of the windfall money from the strong yen, and the stockmarket and property booms is now being invested in Western art. The famous Japanese purchase of the Van Gogh sunflowers at $40m is only one instance of the country's increasing presence in the international art market.

Thirty per cent of the current world art buying is now estimated to be by the Japanese. In recent Christie's and Sotheby's auctions, Japanese purchases have climbed from 20 to 40 per cent of their total sales. In 1986 a record $400m was spent on art imported into Japan and this is expected to rise to $600m in 1987.

The Japanese penchant for the imported arts extends to museum exhibitions. For a nation with such a rich artistic heritage of its own, it is surprising to discover that attendances for Western art exhibitions are higher than for Japanese events.

Despite their centuries-old treasures, the average annual attendance at the Tokyo Museum of Western Art, outnumbers that at the National Museum (1m against 720,000).

Japanese department stores also hold frequent exhibitions of Western art.

Prof Mitsukuni Yoshido recently commented: "We can see some of the finest paintings in the world all at one go by just visiting Tokyo. There is no longger any need to make the long exhausting trip to Europe."

With no Western-style critics to influence taste, most people's motives for going to see Western arts are singularly Japanese. While edification and social cachet feature largely in group-oriented Japan, imported culture is also an excuse for an outing with other well-heeled friends.

Scene from a traditional Noh play

The group-based audience is carefullystratified according to age and sex. Despite its great wealth, Japan is still a workaholic society and backward — even behind neighbouring China — in its provision of leisure time for the mass of the working population. As a result, audiences for the arts are truncated generally comprising 18 to 25 year olds and mainly female.

The cut-off point occurs at marriage, with new responsibilities of having children and in Japan, the husband's obligatory late-night working or drinking.

The realty is that despite a potentially huge population of arts visitors the actual audience for the arts is a relatively small number. It is reckoned in Tokyo to comprise about 20,000 for opera and ballet, while for classical music, figures vary between 200,000 and 600,000.

To widen the catchment, there are several audience associations which aim to bring prices more within the reach of fringe interests of which the Min-On Concert Association is the best known. For the modest annual outlay of Y500 — about $3.50 — an individual can obtain reductions of between 10 and 30 per cent on tickets to most events.

While this indulgence in Western arts may seem admirable and even helps redress the trade surplus in other areas, it is having a devastating effect on Japan's exponents of Western arts.

In a country where more children learn classical ballet than piano and both together outnumber traditional Japanese performing arts; with scores of symphony orchestras (Tokyo alone has nine to London's five); with opera and ballet companies home to thousands of top-quality performers, the domestic arts are in a crisis.

Japanese audiences prefer to see the "real thing" by the Western performers and so Japanese arts organisations are considered second best and have trouble attracting audiences.

Japan's visual artists suffer even more.

A serious consequence for artists and performers alike is the shortage of career opportunities at home. The result is a brain drain — visual artists to the US and dancers and musicians to Europe and North America.

Marie Myerscough

Nightlife

City of a million bars

IT'S EIGHT O'CLOCK, dinner is over, and the conversation, like the raw fish, is not quite dead but getting that way. You are tired, to say nothing of hungry, and you want nothing more than a quiet evening in your room with the cable TV and the room service.

This is when one of your Japanese companions turns to the other and remarks on the irregularity of the trains at this time of night. What a coincidence, they both have a little time to kill, and although you are probably very tired, perhaps you would do them the honour of accompanying them to " another place " for a little while?

Being a conscientious businessman you have briefed yourself well on the habits of your host country. You are aware that the Japanese themselves spend virtually every working evening of the year either entertaining or being entertained, or sometimes just carousing with colleagues.

You know you are in a country which regards human relations as all important in business. So you would no more think of declining such an invitation than of entering a Japanese house without taking your shoes off first.

The odds are they'll take you to some place in the Ginza where you will at once be appropriated by a brisk Australian girl who tells you she spends six months of every year working in Japan because she is saving up to buy a farm back in Australia.

As you are a foreigner she naturally assumes you are above the kind of flirtation favoured by Japanese men. While your hosts are being fondled and flattered by beautiful, seemingly adoring Japanese girls, you get to spend the evening talking about sheep farming.

As the evening wears on, you find yourself feeling progressively less and less drunk no matter how many watery whiskies you consume. Your spirits reach a new low when you are joined by the proprietress of the bar, a lady of mature years who reminds you of a headmistress, except that she is clad in traditional Japanese garb.

After handing you her business card, she swishes down beside you, puts her hand on your knee and asks you if it is true that London has a lot of fog and rain.

Just when you are thinking the evening cannot get any worse, somebody hands you a microphone and invites you to get up and sing. They have a machine which plays the accompaniment and a video which reels off the words against an appropriate background: cherry blossoms or maples for Japanese songs, big-bosomed nudes for English ones.

You mutter that you don't know any songs but your hosts won't take no for an answer. Danny Boy ? Yesterday ? I Left My Heart In San Francisco ? Nobody but a deaf mute could get away with a plea of ignorance.

The Japanese fall respectfully silent as you take the microphone and stumble your way through Love Me Tender. Ah, Elvis Presley (E-ru-bis Pu-le-su-ri). . .

If you are going to spend much time doing business here, you are going to have to do a lot of drinking, so you might as well learn to enjoy it. And there are many compensations.

The unexpected is the rule in the watering holes of Tokyo, particularly if you exchange the expensive night-clubs of the Ginze or Akasaka for the bars in Shimbashi, Shibuya or Shinjuku where the Japanese " salaryman " goes for relaxation.

It is estimated there are a million bars in Tokyo. Most of them are tiny. There are bars where Japanese rock groups imitate western bands with the meticulous accuracy which used to be reserved for western technology.

There are bars in Kabukicho that eater to all kinds of sexual weirdness and there are bars in nearby Golden Gai which are frequented by writers and artists and their followers. If you have a spare evening in Tokyo just ask your Japanese friend to take you to his favourite place.

The staple of many of these bars is Karaoke or singsong with an electronic accompaniment. This is equally popular with young and old. There are places in Roppongi where smart young office ladies entertain each other until late in the evening with their renditions of the latest Japanese pop songs (mostly a pretty dire selection).

The older people prefer Enka, repetitious ballads performed in a high pitched nasal tone, usually about suicide or the impermanence of love.

Once the elderly performer turned out to be a senior managing director of Sumitomo Corporation. Afterwards, he came to sit down beside me. "Ah, London, my lovely London. . . ." He said he was a lover of English literature and proceeded to prove it by reciting the whole of the first page of Great Expectations by heart.

The typical salary man's bar is run by an ex-bar hostess made good, called mama-san. One of my favourites is a tiny place, right in the middle of Shinjuku's red-light district

The proprietress, is a middle aged lady with a forbidding perm and large biceps who professes to like golf. She usually has an assistant, occasionally young and pretty, more often a stout, giggly woman (who I suspect is a cleaning lady by day).

One evening I fell into conversation with a certain Yoshinaga Katoh: a furrier. Evidently taking a liking to me and my foreign friend he snapped his fingers to the proprietress mama-san. " Fetch my things. . .

She came hurrying back with thick black ink, pens, and paper, which he spread out on top of the bar and with great concentration produced two beautiful pieces of calligraphy, one for each of us, which he then signed and presented to us neatly framed. I never saw Katoh-san again, but his work still hangs on the wall of my office like a trophy.

You never get the same bill twice at these places. Sometimes it is outrageously expensive and sometimes almost laughably cheap.

Once when I was sitting in that same bar after midnight, Mama-san seemed to be in low spirits because custom seemed to be bad that night. Suddenly there was a loud rap on the door and a middle aged man with two thick-set companions marched in.

I could tell by the respectful reaction of the other customers in the bar that the middle aged man must be some kind of local celebrity. He had a pretty girl with him too, and they all sat down, occupying the whole of one end of the bar.

Mama-san introduced him as her oni-san which is Japanese for older brother, although somehow I could tell we were not talking siblings. I noticed nobody else seemed to feel like talking when oni-san was silent.

Oni-san barely addressed a word to me and my English friend, chatting to mama-san or paying perfunctory attention to the girl, while one of his muscular companions strummed mama-san's guitar.

But he must have liked us, because he insisted on paying our bill as he was leaving, a whole evening's drinking.

Philip Milner-Barry